2011
ANNUAL REPORT

FEDERAL DEPOSIT INSURANCE CORPORATION

MISSION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by:

- ★ insuring deposits,
- ★ examining and supervising financial institutions for safety and soundness and consumer protection, and
- ★ managing receiverships.

VISION

The FDIC is a recognized leader in promoting sound public policies, addressing risks in the nation's financial system, and carrying out its insurance, supervisory, consumer protection, and receivership management responsibilities.

VALUES

The FDIC and its employees have a tradition of distinguished public service. Six core values guide us in accomplishing our mission:

1. **INTEGRITY**
   We adhere to the highest ethical and professional standards.
2. **COMPETENCE**
   We are a highly skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results.
3. **TEAMWORK**
   We communicate and collaborate effectively with one another and with other regulatory agencies.
4. **EFFECTIVENESS**
   We respond quickly and successfully to risks in insured depository institutions and the financial system.
5. **ACCOUNTABILITY**
   We are accountable to each other and to our stakeholders to operate in a financially responsible and operationally effective manner.
6. **FAIRNESS**
   We respect individual viewpoints and treat one another and our stakeholders with impartiality, dignity, and trust.

2011 ANNUAL REPORT

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

OFFICE OF THE ACTING CHAIRMAN

April 30, 2012

Dear Sir,

In accordance with:

★ the provisions of section 17(a) of the Federal Deposit Insurance Act,

★ the Chief Financial Officers Act of 1990, Public Law 101-576,

★ the Government Performance and Results Act of 1993 (as amended) and the GPRA Modernization Act of 2010,

★ the provisions of Section 5 (as amended) of the Inspector General Act of 1978, and

★ the Reports Consolidation Act of 2000,

The Federal Deposit Insurance Corporation (FDIC) is pleased to submit its *2011 Annual Report* (also referred to as the *Performance and Accountability Report*), which includes the audited financial statements of the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF).

In accordance with the Reports Consolidation Act of 2000, the FDIC assessed the reliability of the performance data contained in this report. No material inadequacies were found, and the data are considered to be complete and reliable.

Based on internal management evaluations, and in conjunction with the results of independent financial statement audits, the FDIC can provide reasonable assurance that the objectives of Section 2 (internal controls) and Section 4 (financial management systems) of the Federal Managers' Financial Integrity Act of 1982 have been achieved, and that the FDIC has no material weaknesses. However, the U.S. Government Accountability Office did identify a significant control deficiency in the loss-share area. The FDIC has efforts underway to address the deficiency. We are committed to maintaining effective internal controls corporate-wide in 2012.

Sincerely,

Martin J. Gruenberg

Martin J. Gruenberg
Acting Chairman

The President of the United States

The President of the United States Senate

The Speaker of the United States House of Representatives

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INSURING DEPOSITS. EXAMINING INSTITUTIONS. MANAGING RECEIVERSHIPS. EDUCATING CONSUMERS.

In its unique role as deposit insurer of banks and savings associations, and in cooperation with the other state and federal regulatory agencies, the FDIC promotes the safety and soundness of the U.S. financial system and insured depository institutions by identifying, monitoring, and addressing risks to the Deposit Insurance Fund (DIF).

The FDIC promotes public understanding and the development of sound public policy by providing timely and accurate financial and economic information and analyses. It minimizes disruptive effects from the failure of financial institutions. It assures fairness in the sale of financial products and the provision of financial services.

The FDIC's long and continuing tradition of excellence in public service is supported and sustained by a highly skilled and diverse workforce that continuously monitors and responds rapidly and successfully to changes in the financial environment.

At the FDIC, we are working together to be the best.

FDIC BY THE NUMBERS

0 INSURED DEPOSIT DOLLARS LOST

$250,000 DEPOSIT INSURANCE LIMIT

92 FAILED BANKS RESOLVED

9,269 FDIC AUTHORIZED FULL-TIME-EQUIVALENT EMPLOYEES

21,684 CONSUMER COMPLAINTS AND INQUIRIES ANSWERED

106 INTERNATIONAL VISITS TO THE FDIC

WITH OVER **825** VISITORS

REPRESENTING **48** JURISDICTIONS

171,591 NEW BANK ACCOUNTS OPENED THROUGH THE ALLIANCE FOR ECONOMIC INCLUSION

9 LANGUAGES FOR *MONEY SMART* CURRICULUM

277,000 ELECTRONIC DEPOSIT INSURANCE ESTIMATOR USER SESSIONS

7,357 INSURED DEPOSITORY INSTITUTIONS

121,800 DEPOSIT INSURANCE COVERAGE INQUIRIES ANSWERED

9 BANKS PARTICIPATING IN THE MODEL SAFE ACCOUNT PILOT PROGRAM

MESSAGE FROM THE ACTING CHAIRMAN

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) 2011 Annual Report. I assumed my duties as Acting Chairman on July 9, 2011, upon the departure of Chairman Sheila C. Bair at the end of her term.

During 2011, our nation's banking system continued to make gradual but steady progress in recovering from the financial market turmoil and severe recession that unfolded from 2007 through 2009. Over the past two years, the banking industry has undergone a difficult process of balance sheet strengthening. Capital has been increased, asset quality has improved, and banks have bolstered their liquidity. The industry is now in a much better position to support the economy through expanded lending. However, levels of troubled assets and problem banks are still high. And while the economy is showing signs of improvement, downside risks remain a concern.

Despite these challenges, bank performance indicators did improve during 2011, particularly in terms of industry earnings and improved credit quality of loans on the books of FDIC-insured institutions. The number of institutions on the FDIC's problem bank list declined for three consecutive quarters, the Deposit Insurance Fund (DIF) moved into positive territory, and significantly fewer banks failed in 2011 compared to 2010. However, most of the improvement in earnings over the last two years has been the result of lower loan-loss provisions reflecting improved credit quality. Sustainable bank industry earnings gains will depend on increased lending, consistent with sound underwriting. Prudent loan growth is a necessary condition for a stronger economy.

Although challenges related to the recovery remain, the FDIC is well positioned to carry out its primary mission of upholding public confidence in the nation's financial system by protecting insured depositors. During 2011, the FDIC insured a record $7.0 trillion of deposits in over half a billion accounts at more than 7,000 institutions, with no losses of insured funds. Other notable achievements during 2011, discussed in further detail below, include returning the DIF to a positive balance, largely completing the core rulemaking necessary to carry out the FDIC's responsibilities under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) and implementing the FDIC's new authorities related to systemic resolutions, launching a series of initiatives to deepen our understanding of the unique role community banks perform in our nation's economy, and continuing our work to expand access to mainstream financial services to all Americans.

A great strength of the agency is its highly dedicated and motivated workforce. The FDIC's employees understand the agency's mission and how it relates to what they do. In 2011 the FDIC was ranked number one on the *Best Places to Work in the Federal Government* list of 33 large agencies, moving up two positions from 2010. This recognition is a tribute to the commitment and dedication of the FDIC workforce and to the leadership of former FDIC Chairman Sheila Bair.

STRENGTHENING THE DEPOSIT INSURANCE FUND AND RESOLVING FAILED BANKS

The FDIC has made significant progress in rebuilding the Deposit Insurance Fund (DIF) and achieving the goals set by Dodd-Frank reforms. In 2010, the FDIC Board approved a comprehensive, long-term plan for fund

management based on the new law and an FDIC historical analysis of DIF losses. Additionally, the DIF balance—the net worth of the fund—rose to $11.8 billion at the end of 2011 compared with negative $7.4 billion a year earlier. Assessment revenue and fewer bank failures drove growth in the fund balance.

While 2010 was the peak year for problem and failed institutions, substantial work remained in 2011, with an additional 92 failures, continuing post-failure receivership management, more examination hours because of the elevated number of problem institutions, and staffing up for new responsibilities under Dodd-Frank.

Accordingly, the FDIC's authorized workforce for 2011 stood at 9,269 full-time equivalent positions compared with 9,029 the year before. The FDIC Board approved a 2011 Corporate Operating Budget of just under $3.9 billion, a slight decrease from 2010.

For 2012, the Board reduced the budget by 15.4 percent to $3.3 billion and reduced authorized staffing by 6 percent to 8,704 positions in anticipation of a substantial drop in failure activity in the years ahead. The FDIC also announced plans to close two of three temporary satellite offices, which had been established to address crisis-related workload. The Irvine, California, office closed in January 2012 and the Schaumburg, Illinois, office is set to close in September 2012. Contingent resources are included in the budget to ensure readiness should economic conditions unexpectedly deteriorate.

During 2011, the FDIC continued using strategies instituted in 2009, including the use of loss-share agreements, to protect the depositors and customers of failed institutions at the least cost to the DIF. The FDIC actively marketed failing institutions, and the vast majority were sold to healthier entities. These strategies preserved banking relationships in many communities while providing depositors and customers with uninterrupted access to essential banking services.

PROGRESS ON THE RESOLUTION OF SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTIONS

The Dodd-Frank Act included far-reaching changes to make financial regulation more effective in addressing systemic risks. The law greatly expanded the FDIC's authority to resolve systemically important financial institutions (SIFIs).

One of the FDIC's top priorities has been preparing for a resolution of a large SIFI. The FDIC was given significant new responsibilities under the Dodd-Frank Act to resolve SIFIs. Specifically, these include an Orderly Liquidation Authority to resolve the largest and most complex bank holding companies and non-bank financial institutions, if necessary, and a requirement for resolution plans for covered financial companies that will give regulators additional tools with which to manage the failure of large, complex enterprises.

In late 2010, the FDIC established the Office of Complex Financial Institutions (OCFI), to carry out three core functions:

- Monitor risk within and across these large, complex firms from the standpoint of resolution;
- Conduct resolution planning and the development of strategies to respond to potential crisis situations; and
- Coordinate with regulators overseas regarding the significant challenges associated with cross-border resolution.

During 2011, OCFI began developing its own resolution plans in order to be ready to resolve a failing systemic financial company. These internal FDIC resolution plans, developed pursuant to the Orderly Liquidation Authority, provided under Title II of Dodd-Frank, apply many of the same powers that the FDIC has long used to manage failed-bank receiverships to a failing SIFI.

If the FDIC is appointed as receiver of such an institution, it will be required to carry out an orderly liquidation in a

manner that maximizes the value of the company's assets and ensures that creditors and shareholders appropriately bear any losses. The goal will be to close the institution without putting the financial system at risk.

This internal resolution planning work is the foundation of the FDIC's implementation of its new responsibilities under the Dodd-Frank Act.

Developing a credible capacity to place a SIFI into an orderly resolution process is essential to subjecting these companies to meaningful market discipline. Without this capability, these institutions—which by definition pose a risk to the financial system—create an expectation of public support to avert failure. That distorts the financial marketplace, giving these institutions a competitive advantage that allows them to take on even greater risk and creating an unlevel playing field for other financial institutions that are not perceived as benefiting from potential public support. There is a very strong public interest in the FDIC developing the capability to carry out its new systemic resolution responsibilities in a credible and effective way.

COMMUNITY BANKING INITIATIVES LAUNCHED

In late 2011, the FDIC established a series of initiatives focusing on the future of community banking in the United States. The FDIC is the lead federal regulator for the majority of community banks in the United States and the insurer of all. As such, the FDIC has a responsibility to use its resources to gain a better understanding of the challenges facing community banks and to share that understanding with the banks as well as the general public.

Community banks play a crucial role in the financial system of the United States. Community banks with assets of less than $1 billion account for a little more than ten percent of the banking assets in our country, but provide nearly forty percent of all the small loans that insured financial institutions make to businesses and farms. Given the labor intensive, highly customized nature of many small business loans, it is not clear that large institutions would easily fill that critical credit need if community banks were not there. Community banks also play a crucial role in extending credit and providing financial services in rural communities, small towns, and inner-city neighborhoods. In many of those localities, if not for the community bank there would be no easy access to an insured financial institution. There is a clear public interest in maintaining a strong community bank sector in the U.S. financial system.

The first of the FDIC's initiatives in this area was a national conference in early 2012 on the Future of Community Banking. Following on the conference, the FDIC plans to hold a series of roundtables with groups of community bankers in each of the FDIC's six regions around the country during 2012. The FDIC's most senior executives and I will attend each roundtable to hear first hand about the concerns of bankers and what the FDIC can do to respond to those concerns.

As part of the initiatives, the FDIC's Division of Insurance and Research is undertaking a comprehensive review of the evolution of community banking in the United States over the past twenty-five years, to identify the key challenges facing community banks as well as stories of successful community bank business models, and draw conclusions from that analysis that may be useful for community banks going forward. The agency is also undertaking a review of the bank examination process for both risk management and compliance supervision, and the process for promulgating and releasing rulemakings and guidance, to identify potential process and communication improvements while maintaining supervisory standards.

PROTECTING CONSUMERS AND EXPANDING ACCESS TO BANKING SERVICES

Deposit insurance is essentially about making people feel secure about putting their money into financial institutions. However, accessing insured financial institutions has proven elusive for millions of people in our country.

In 2009, pursuant to a statutory provision, the FDIC partnered with the Census Bureau to conduct the first national survey ever undertaken of who is unbanked and underbanked in the United States. It found that 7 percent of U.S. households do not have bank accounts, and another nearly 18 percent who may have an account still utilize non-bank financial services such as check cashers and payday lenders, which are frequently more expensive. Taken together, this means that nearly a quarter of American households are underserved by the mainstream banking system, and the proportions are significantly higher for low-income and minority households. The Census Bureau will now conduct this survey on behalf of the FDIC every two years. The second survey was conducted in mid-2011, and the findings will be released during 2012.

In response to this issue, the FDIC has undertaken initiatives at both the local and national level.

At the local level, the FDIC's Alliance for Economic Inclusion (AEI) has organized coalitions of financial institutions, community organizations, local government officials, and other partners in communities across the country to bring unbanked and underserved households into the financial mainstream by expanding access to basic retail financial services, including savings accounts, affordable remittance products, small-dollar loan programs, targeted financial education programs, and asset-building programs. These partnerships are currently operating in 14 communities nationwide, and the FDIC plans to expand the program further during 2012.

At the national policy level, the FDIC's Advisory Committee on Economic Inclusion—composed of bankers, community and consumer organizations, and academics—also explores ways to bring the unbanked into the financial mainstream. The Committee has pursued a number of initiatives since it was formed in 2007. One of the initial projects it recommended—the Small-Dollar Loan Pilot Program—demonstrated that banks can offer safe, affordable small-dollar loans as an alternative to high-priced sources of emergency credit, such as payday loans or fee-based overdrafts.

The Advisory Committee is now nearing completion of a pilot program called Model Safe Accounts to evaluate how banks can offer safe, low-cost transactional and savings accounts that are responsive to the needs of underserved consumers. Participating banks are in the process of testing the model accounts, which feature electronic debit-card based accounts with low fees and low minimum balance requirements. The intention of the pilot program is to help banks better understand the benefits and feasibility of offering such products.

The Advisory Committee will continue to meet during 2012 and a focus of the Committee and the FDIC going forward will be the potential role that technology and innovation, particularly mobile banking, can play in expanding access to mainstream financial services.

THE FDIC: AN ENDURING SYMBOL OF CONFIDENCE

The year 2011 marked a turning point for American banking, as the number of bank failures declined, industry earnings grew, and balance sheets improved. There appear to be reasonable prospects for continued recovery in 2012, although this is dependent on the pace of the U.S. economic growth and financial conditions in global markets, notably developments in Europe.

These are still challenging times for our nation and for the FDIC. Our workforce remains committed to carrying out our mission. I am very grateful to the hard-working, dedicated men and women of the FDIC for all they have done during the financial crisis to maintain the stability of the U.S. financial system and put it on the road to recovery.

Sincerely,

Martin J. Gruenberg

Martin J. Gruenberg

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) *2011 Annual Report* (also referred to as the *Performance and Accountability Report*). The report covers financial and program performance information, and summarizes our successes for the year. The FDIC takes pride in providing timely, reliable, and meaningful information to its many stakeholders.

For the twentieth consecutive year, the U.S. Government Accountability Office (GAO) issued unqualified audit opinions for the two funds administered by the FDIC: the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). These unqualified audit opinions validate our efforts to ensure that the financial statements of the funds for which we are stewards are fairly presented. I applaud the hard work and dedication of the FDIC staff.

The year 2011 marked a turning point for the DIF, as the balance increased from negative $7.4 billion at the end of 2010, to positive $11.8 billion at the end of 2011. The turnaround in the DIF was due to the decrease in the number of bank failures, from 157 in 2010 to 92 in 2011. While the decrease in bank failures is a positive trend, 92 bank failures is still more than the total number of bank failures that occurred between 1995 and 2008.

FINANCIAL RESULTS FOR 2011

For 2011, the DIF's comprehensive income totaled $19.2 billion compared to comprehensive income of $13.5 billion during 2010. This $5.7 billion year-over-year increase was primarily due to a $3.6 billion decrease in the provision for insurance losses and $2.6 billion in revenue from DGP fees previously held as systemic risk deferred revenue, partially offset by a year-to-date net change in the fair value of available-for-sale securities of $284 million (U.S. Treasury obligations and trust preferred securities) and a $112 million decrease in assessments earned.

The provision for insurance losses was negative $4.4 billion for 2011, compared to negative $848 million for 2010. The negative provision for 2011 primarily resulted from a reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail, and a reduction in the estimated losses for institutions that have failed in prior years.

The DIF's total liquidity declined by $3.8 billion, or 8 percent, to $42.4 billion during 2011. The decrease was primarily the result of disbursing $11.9 billion to fund both current and prior years' bank failures during 2011. However, it should be noted that 58 of the 92 current year failures were resolved as cash-conserving shared-loss transactions requiring substantially lower initial resolution payments thus helping to mitigate the decline in DIF's liquidity balance. Moreover, during 2011, the DIF received $8.9 billion in dividends and other payments from its receiverships, which helped to mitigate the DIF liquidity's decline.

Under the requirements of the Federal Managers' Financial Integrity Act of 1982, the FDIC's management conducted its annual assessment and concluded that the system of internal controls, taken as a whole, complies with internal control standards prescribed by GAO and provides reasonable assurance that the related objectives are being met.

In 2012, our focus will be on maintaining strong corporate management controls, effective cost and risk management, and continued implementation of Dodd-Frank. The FDIC will continue its important role of identifying and addressing risks to the insurance fund, and providing Congress, other regulatory agencies, insured depository institutions, and the public with critical and timely information and analyses on the financial condition of both the banking industry and FDIC-managed funds.

Sincerely,

Steven O. App

FDIC SENIOR LEADERS

Seated *(left to right)*: Acting Chairman Martin Gruenberg, Former Chairman Shelia Bair, Director Thomas Curry. **First Row** *(left to right)*: Arleas Upton Kea, James Angel, Jr., Mark Pearce, Thom Terwilliger, Craig Jarvill. **Second Row** *(left to right)*: James Wigand, Fred Carns, Jon Rymer, Russell Pittman, Sandra Thompson, Alice Goodman. **Third Row** *(left to right)*: Jesse Villarreal, Bret Edwards, Steven App, Andrew Gray, Cottrell Webster, Paul Nash.

Not pictured: Michael Krimminger, D. Michael Collins, Stephen Quick.

1. MANAGEMENT'S DISCUSSION AND ANALYSIS

THE YEAR IN REVIEW

During 2011, the FDIC continued to pursue an ambitious agenda in meeting its responsibilities. The FDIC continued implementation of Dodd-Frank, issued guidance, and piloted programs designed to help consumers. The FDIC also enhanced risk management procedures and created a branch to manage risks of mid tier insured depository institutions (IDIs), which further strengthened supervisory and consumer protection programs.

Highlighted in this section are the FDIC's 2011 accomplishments in each of its major business lines—Insurance, Supervision, Consumer Protection, and Receivership Management—as well as its program support areas.

INSURANCE

The FDIC insures bank and savings association deposits. As insurer, the FDIC must continually evaluate and effectively manage how changes in the economy, the financial markets, and the banking system affect the adequacy and the viability of the Deposit Insurance Fund (DIF).

State of the Deposit Insurance Fund

Estimated losses to the DIF were $7.9 billion from failures occurring in 2011 and were lower than losses from failures in each of the previous three years. The fund balance became positive in the second quarter of 2011 following seven quarters of negative balances. Assessment revenue and fewer anticipated bank failures drove the increase in the fund balance. The fund reserve ratio rose to positive 0.17 percent at December 31, 2011 from negative 0.12 percent at the beginning of the year.

Long-Term Comprehensive Fund Management Plan

As a result of the Dodd-Frank Act revisions to its fund management authority, the FDIC developed a comprehensive, long-term management plan for the DIF designed to reduce pro-cyclicality and achieve moderate, steady assessment rates throughout economic and credit cycles while also maintaining a positive fund balance even during a banking crisis. The plan was finalized in rulemakings adopted in December 2010 and February 2011.

Setting the Designated Reserve Ratio

Using historical fund loss and simulated income data from 1950 to the present, the FDIC analyzed how high the reserve ratio would have had to have been before the onset of the two crises that occurred since the late 1980s to have maintained both a positive fund balance and stable assessment rates throughout the period. The analysis concluded that a moderate, long-term average industry assessment rate would have been sufficient to have prevented the fund from becoming negative during the crises, though the fund reserve ratio would have had to exceed 2.0 percent before the onset of the crises.

Therefore, under provisions in the Federal Deposit Insurance Act that require the FDIC Board to set the Designated Reserve Ratio (DRR) for the DIF annually, the FDIC Board adopted in December 2010 a DRR of 2.0 percent for 2011 and voted in December 2011 to maintain a 2.0 percent DRR for 2012. The FDIC views the 2.0 percent DRR as a long-term goal and as the minimum level needed to withstand future crises of the magnitude of past crises. The 2.0 percent DRR should not be viewed as a cap on the fund. The FDIC's analysis shows that a reserve ratio higher than 2.0 percent would increase the

chance that the fund will remain positive during a future economic and banking downturn similar to or more severe than past crises.

Long-Term Assessment Rate Schedules and Dividend Policies

Once the reserve ratio reaches 1.15 percent, assessment rates can be reduced to a moderate level. Therefore, under its statutory authority to set assessments, in February 2011, the FDIC Board adopted a lower assessment rate schedule to take effect when the fund reserve ratio exceeds 1.15 percent. To increase the probability that the fund reserve ratio will reach a level sufficient to withstand a future crisis, the FDIC also suspended dividends indefinitely when the fund reserve ratio exceeds 1.5 percent. In lieu of dividends, the FDIC Board adopted progressively lower assessment rate schedules when the reserve ratio exceeds 2.0 percent and 2.5 percent. These lower assessment rate schedules serve much the same function as dividends, but provide more stable and predictable effective assessment rates.

Restoration Plan

In October 2010, under the comprehensive plan, the FDIC adopted a Restoration Plan to ensure that the reserve ratio reaches 1.35 percent by September 30, 2020, as required by the Dodd-Frank Act. The Act also requires that the FDIC offset the effect on institutions with less than $10 billion in assets of increasing the reserve ratio from 1.15 percent to 1.35 percent. The FDIC will promulgate a rulemaking that implements this requirement at a later date to better take into account prevailing industry conditions at the time of the offset.

Change in the Deposit Insurance Assessment Rules

The Dodd-Frank Act also required the FDIC to adopt a rule revising the deposit insurance assessment base. The final rule implementing the requirement, adopted in February 2011, also made conforming changes to the deposit insurance assessment system. In addition, the rule substantially revised the assessment system applicable to large IDIs.

New Assessment Base

Dodd-Frank requires the FDIC to amend its regulations to define the assessment base as average consolidated total assets minus average tangible equity, rather than total domestic deposits (which, with minor adjustments, it has been since 1935). The Act allows the FDIC to modify the assessment base for banker's banks and custodial banks. The FDIC finalized these changes to the assessment base in February 2011, and they became effective April 1, 2011.

Dodd-Frank also requires that, for at least five years, the FDIC must make available to the public the reserve ratio and the DRR using both estimated insured deposits and the new assessment base. As of December 31, 2011, the FDIC estimates that the reserve ratio would have been 0.10 percent using the new assessment base (compared to 0.17 percent using estimated insured deposits) and that the 2.0 percent DRR using estimated insured deposits would have been 1.2 percent using the new assessment base.

Conforming Changes to Risk-Based Premium Rate Adjustments

The changes to the assessment base necessitated changes to existing risk-based assessment rate adjustments. The previous assessment rate schedule incorporated adjustments for types of funding that either pose heightened risk to the DIF or that help to offset risk to the DIF. Because the magnitude of these adjustments and the cap on the adjustments had been calibrated to a domestic deposit assessment base, the rule changing the assessment base also recalibrated the unsecured debt and brokered deposit adjustments. Since secured liabilities are now included in the assessment base, the rule eliminated the secured liability adjustment.

The assessment rate of an institution is also adjusted upwards if it holds unsecured debt issued by other IDIs. The issuance of unsecured debt by an IDI usually lessens the potential loss to the DIF if an institution fails; however, when the debt is held by other IDIs, the overall risk in the system is not reduced.

Conforming Changes to Assessment Rates

The new assessment base under Dodd-Frank, defined as average consolidated total assets minus average tangible equity, is larger than the previous assessment base, defined as total domestic deposits (with minor adjustments). Applying the current rate schedule to the new assessment base would have resulted in larger total assessments than had been previously collected. Accordingly, the rule changing the assessment base also established new rates that took effect in the second quarter of 2011. These rates resulted in collecting nearly the same amount of assessment revenue under the new base as under the previous rate schedule using the domestic deposit base. The new rate schedule also incorporates the changes from the proposed large bank pricing rule that was finalized in February 2011 (discussed below) along with the change in the assessment base. The initial base rates for all institutions range from 5 to 35 basis points.

The initial base assessment rates, range of possible rate adjustments, and minimum and maximum total base rates are shown in the table below.

Changes to the assessment base, assessment rate adjustments, and assessment rates took effect April 1, 2011. As explained above, the rate schedule will decrease when the reserve ratio reaches 1.15, 2.0, and 2.5 percent.

Current Initial and Total Base Assessment Rates[1]

	RISK CATEGORY I	RISK CATEGORY II	RISK CATEGORY III	RISK CATEGORY IV	LARGE AND HIGHLY COMPLEX INSTITUTIONS
Initial base assessment rate	5–9	14	23	35	5–35
Unsecured debt adjustment[2]	(4.5)–0	(5)–0	(5)–0	(5)–0	(5)–0
Brokered deposit adjustment	......	0–10	0–10	0–10	0–10
Total Base Assessment Rate	**2.5–9**	**9–24**	**18–33**	**30–45**	**2.5–45**

[1] Total base assessment rates do not include the depository institution debt adjustment.

[2] The unsecured debt adjustment cannot exceed the lesser of 5 basis points or 50 percent of an IDI's initial base assessment rate; thus, for example, an IDI with an initial base assessment rate of 5 basis points would have a maximum unsecured debt adjustment of 2.5 basis points and could not have a total base assessment rate lower than 2.5 basis points.

Changes to the Large Bank Assessment System

The FDIC continued its efforts to improve risk differentiation and reduce pro-cyclicality in the deposit insurance assessment system by issuing a final rule in February 2011. The rule revises the assessment system applicable to large IDIs to better reflect risk at the time a large institution assumes the risk, to better differentiate large institutions during periods of good economic conditions, and to better take into account the losses that the FDIC may incur if such an institution fails. The rule became effective April 1, 2011.

The rule eliminates risk categories for large institutions. As required by Dodd-Frank, the FDIC no longer uses long-term debt issuer ratings to calculate assessment rates for large institutions. The rule combines CAMELS[1] ratings and financial measures into two scorecards—one for most large institutions and another for the remaining very large institutions that are structurally and operationally complex or that pose unique challenges and risks in case of failure (highly complex institutions). In general, a highly complex institution is an institution (other than a credit card bank) with more than $50 billion in total assets that is controlled by a parent or intermediate parent company with more than $500 billion in total assets, or a processing bank or trust company with at least $10 billion in total assets.

Both scorecards use quantitative measures that are readily available and useful in predicting an institution's long-term performance to produce two scores—a performance score and a loss severity score—that are combined into a total score and converted to an initial assessment rate. The performance score measures an institution's financial performance and its ability to withstand stress. The loss severity score quantifies the relative magnitude of potential losses to the FDIC in the event of the institution's failure.

The rule also authorizes the FDIC to adjust an institution's total score by as much as 15 points, up or down. The FDIC proposed in April 2011 and adopted in September 2011 guidelines that describe the process the FDIC follows to determine whether to make an adjustment, to determine the size of any adjustment, and to notify an institution of an adjustment and how large it will be.

Effect of Implementing Changes to Assessment Base, Assessment Rates, and Large Bank Assessment System

Consistent with the intent of Congress, the change to the assessment base resulted in an increase in the share of overall assessments paid by large institutions, which rely less on domestic deposits for their funding than do smaller banks. For the second quarter of 2011, when the changes to the assessment base and other assessment system changes described above became effective, banks with more than $10 billion in assets accounted for approximately 80 percent of assessments, up from 70 percent in the first quarter and commensurate with the increase in their share of the assessment base. Second quarter assessments for banks with less than $10 billion in assets were 33 percent lower in aggregate than first quarter assessments.

Temporary Liquidity Guarantee Program

On October 14, 2008, the FDIC announced and implemented the Temporary Liquidity Guarantee Program (TLGP). The TLGP consisted of two components: (1) the Transaction Account Guarantee Program (TAGP), an FDIC guarantee in full of noninterest-bearing transaction accounts; and (2) the Debt Guarantee Program (DGP), an FDIC guarantee of certain newly issued senior unsecured debt.

[1] The CAMELS composite rating represents the adequacy of **C**apital, the quality of **A**ssets, the capability of **M**anagement, the quality and level of **E**arnings, the adequacy of **L**iquidity, and the **S**ensitivity to market risk, and ranges from "1" (strongest) to "5" (weakest).

The TAGP initially guaranteed in full all domestic noninterest-bearing transaction deposits held at participating banks and thrifts through December 31, 2009. The deadline was extended twice and expired on December 31, 2010.

Under the DGP, the FDIC initially guaranteed in full, through maturity or June 30, 2012, whichever came first, the senior unsecured debt issued by a participating entity between October 14, 2008, and June 30, 2009. In 2009 the issuance period was extended through October 31, 2009. The FDIC's guarantee on each debt instrument also was extended in 2009 to the earlier of the stated maturity date of the debt or December 31, 2012.

Program Statistics

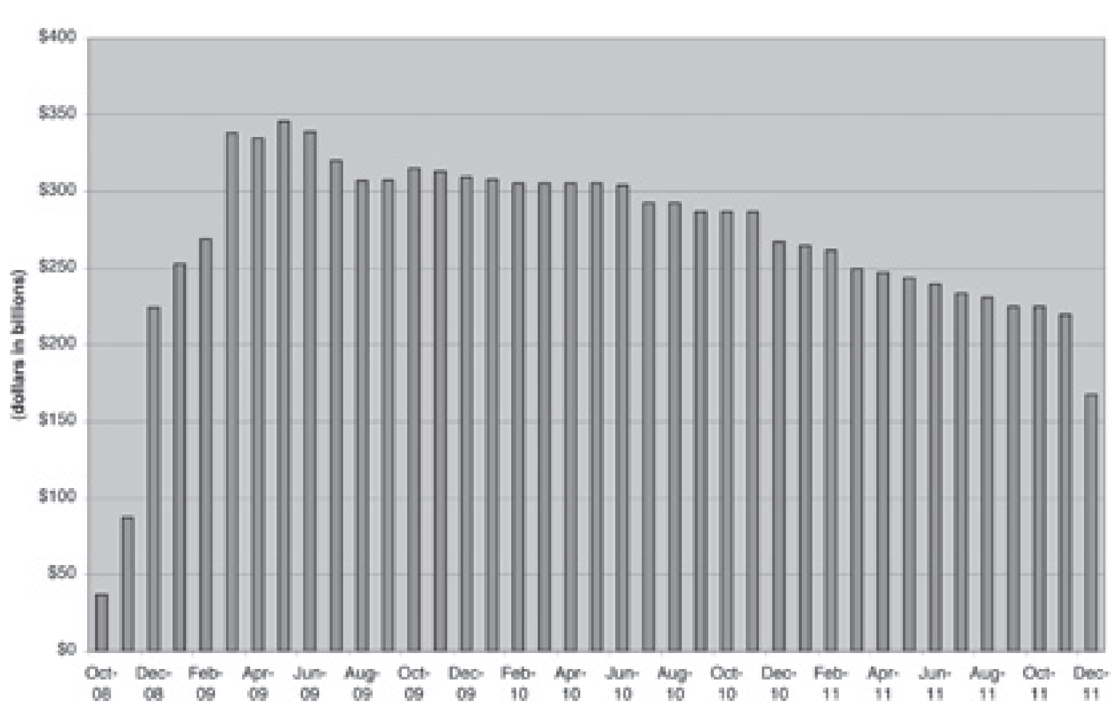
Over the course of the DGP's existence, 122 entities issued TLGP debt. At its peak, the DGP guaranteed almost $345.8 billion of debt outstanding (see chart below). As of December 31, 2011, the total amount of remaining FDIC-guaranteed debt outstanding was $167.4 billion.

The FDIC collected $10.4 billion in fees and surcharges under the DGP. As of December 31, 2011, the FDIC paid or accrued $152 million in estimated losses resulting from six participating entities defaulting on debt issued under the DGP. The majority of these estimated losses ($112 million) arose from banks with outstanding DGP notes that failed in 2011 and were placed into receivership. The FDIC expects to pay an additional $682 thousand in interest payments on defaulting notes in 2012.

The FDIC collected $1.2 billion in fees under the TAGP. Cumulative estimated TAGP losses on failures as of December 31, 2011, totaled $2.2 billion.

Overall, TLGP fees are expected to exceed the losses from the program. From inception of the TLGP, it has been FDIC's policy to recognize revenue to the DIF for any deferred revenue not absorbed by losses upon expiration of the TLGP guarantee period (December 31, 2012) or earlier for any portion of guarantee fees determined in excess of amounts needed to cover potential losses. As of December 31, 2011, $2.6 billion in TLGP assets were transferred to the DIF. If fees are insufficient to cover the costs of the program, the difference will be made up through a systemic risk special assessment.

Outstanding TLGP Debt by Month



Temporary Unlimited Coverage for Noninterest-Bearing Transaction Accounts Under the Dodd-Frank Act

Dodd-Frank provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts from December 31, 2010, through December 31, 2012, regardless of the balance in the account and the ownership capacity of the funds. This coverage essentially replaced the TAGP, which expired on December 31, 2010, and is available to all depositors, including consumers, businesses, and government entities. The coverage is separate from, and in addition to, the standard insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank.

A noninterest-bearing transaction account is a deposit account in which interest is neither accrued nor paid, depositors are permitted to make transfers and withdrawals, and the bank does not reserve the right to require advance notice of an intended withdrawal.

Similar to the TAGP, the temporary unlimited coverage also includes trust accounts established by an attorney or law firm on behalf of clients, commonly known as IOLTAs, or functionally equivalent accounts. Money market deposit accounts (MMDAs) and NOW accounts are not eligible for this temporary unlimited insurance coverage, regardless of the interest rate and even if no interest is paid.

As of December 31, 2011, insured institutions had $1.4 trillion in domestic noninterest-bearing transaction accounts above the basic coverage limit of $250,000 per account. This amount is fully insured until the end of 2012 under Dodd-Frank.

Large Bank Programs

The FDIC's responsibilities for IDIs include deposit insurance, primary supervision of state nonmember (FDIC-supervised) IDIs, back-up supervision of non-FDIC-supervised IDIs, and resolution planning. For large IDIs, these responsibilities often present unique and complex challenges. The FDIC's ability to analyze and respond to risks in these institutions is of particular importance, as they make up a significant share of the banking industry's assets. The Large Bank Program's objectives are achieved through two primary centralized groups that work extensively with the FDIC and the other bank and thrift regulators.

Office of Complex Financial Institutions

The Office of Complex Financial Institutions (OCFI) was created in 2010 to focus on the expanded responsibilities of the FDIC by Dodd-Frank. The OCFI is responsible for oversight and monitoring of large, systemically important financial institutions (SIFIs) and for resolution strategy development and planning. During 2011, OCFI began to carry out its new statutory responsibilities to monitor risks in these large SIFIs, conduct resolution planning to respond to potential crisis situations, and coordinate with foreign regulators on significant cross-border resolution issues.

In 2011, OCFI established its complex financial institution monitoring program and engaged in continuous review, analysis, examination and assessment of key risks and control issues at institutions with assets over $100 billion. This work is being accomplished both off- and on-site at designated complex financial institutions throughout the United States. The FDIC is working with other federal regulators to analyze and gain a solid understanding of the risk measurement and management practices of these institutions and assessing the potential risks these companies pose to financial stability. In addition, off-site financial analysts complete the monitoring function by providing subject matter expertise in analyzing complex financial institution's key business lines and potential

critical areas of risk. These efforts ensure that the FDIC has established advance in-depth institutional knowledge required to identify and evaluate risks in financial institutions that are designated as systemically important.

Substantial progress has been made in developing resolution planning and implementation capabilities within OCFI to meet the expanded responsibilities and authorities under Dodd-Frank, including completing regulations governing these responsibilities. In July 2011, the FDIC approved a final rule implementing the Orderly Liquidation Authority that provides the authority to resolve SIFIs. During 2011 OCFI established its internal frameworks for SIFI resolution under Title II of Dodd-Frank, and began developing the capabilities necessary to implement such resolutions. Additionally, OCFI revised and built out specific resolution plans for the largest domestic SIFIs. In 2011, the FDIC adopted two rules regarding resolution plans (living wills) that covered financial institutions will be required to prepare. The first rule, which implements requirements of the Dodd-Frank Act, became final and was published jointly with the Federal Reserve Board in the *Federal Register* on November 1, 2011, and was effective on November 30, 2011. It requires bank holding companies with total consolidated assets of $50 billion or more and certain nonbank financial companies designated by the Financial Stability Oversight Council for supervision by the Federal Reserve Board to develop, maintain, and periodically submit plans for their rapid and orderly resolution under the Bankruptcy Code, in the event they experience material financial distress. Under the rule, covered companies with nonbank U.S. assets greater than $250 billion are required to submit initial plans by July 1, 2012. A second rule, (issued as an Interim Final Rule on September 14, 2011, and adopted in final form on January 17, 2012) requires IDIs with assets greater than $50 billion to submit plans for resolution under the Federal Deposit Insurance Act. OCFI, working in partnership with the Federal Reserve, has been developing structure and guidance for the initial Dodd-Frank rule submissions, so that these submissions may be more effectively evaluated for completeness and compliance with rule requirements. The overall focus will be on the covered company's strategy for orderly resolution, including an assessment of its resolvability and its analysis of potential impediments to implementing a resolution in an orderly manner.

Also in 2011, OCFI commenced activities to manage its global outreach, communication and coordination with appropriate domestic and foreign financial supervisory, regulatory and resolution authorities and representatives of financial institutions for the purpose of planning and executing the resolution of globally active SIFIs. The International Coordination Group of OCFI maintains close, collaborative relations with key international stakeholders to facilitate effective domestic and global cooperation on matters relating to cross-border resolution for all covered institutions. OCFI actively participates in the Financial Stability Board's (FSB) Cross-Border Crisis Management Working Groups and supports related policy development initiatives by the FSB's Resolution Steering Group.

Mid Tier Bank Branch

The FDIC established a Mid Tier Bank Branch (MTB) within its Division of Risk Management and Supervision in January 2011. MTB is responsible for monitoring the risk management supervision of IDIs with total assets of $10 billion to $100 billion. For large FDIC-supervised institutions, the supervision programs are staffed and administered at the regional office level. MTB provides oversight and examination and analytical support to ensure consistency in FDIC's large bank supervisory programs. MTB examination specialists also provide examination support when the FDIC exercises its backup authority at these large institutions. MTB is also responsible for managing nationwide risk management programs including the Large Insured Depository Institution (LIDI) Program, the interagency Shared National Credit Program, and certain initiatives established under the Dodd-Frank Act such as resolution planning for banking companies with total assets from $50 billion to $100 billion.

The LIDI Program remains the primary instrument for off-site monitoring of IDIs with $10 billion or more in total assets. The LIDI Program provides a comprehensive process to standardize data capture and reporting through nationwide quantitative and qualitative risk analysis of large and complex institutions. The LIDI Program was refined in 2011 to better quantify risk, to provide a more prospective assessment of large institutions' vulnerability to both asset and funding stress, and to more closely align with the large bank deposit insurance pricing program. The comprehensive LIDI Program is essential to effective large bank supervision by capturing information on risks, determining the need for supervisory action, and supporting large bank insurance assessment decisions and resolution planning efforts. As of December 31, 2011, the LIDI Program encompassed 112 institutions with total assets of $11.0 trillion.

Center for Financial Research

The Center for Financial Research (CFR) is responsible for encouraging and supporting innovative research on topics that are important to the FDIC's role as deposit insurer and bank supervisor. During 2011, the CFR co-sponsored two major research conferences.

The CFR organized and sponsored the 21st Annual Derivatives Securities and Risk Management Conference jointly with Cornell University's Johnson Graduate School of Management and the University of Houston's Bauer College of Business. The conference was held in March 2011 at the Seidman Center and attracted over 100 researchers from around the world. Conference presentations were on topics including options markets, derivatives pricing, fixed income markets, volatility risk premiums, sovereign risk and commodity markets.

The CFR also organized and sponsored the 11th Annual Bank Research Conference jointly with *The Journal for Financial Services Research* (JFSR) in September 2011. The conference theme, Lessons from the Crisis, focused on the recent financial crisis included 13 paper presentations and was attended by over 120 participants. Experts discussed a range of topics including government support and bank behavior, measuring risk, bank performance and lending, and CEO compensation.

In addition to conferences, workshops and symposia, eight CFR working papers were completed and made public on topics including global retail lending, foreclosure trends, systemic risk, and the use of credit default swaps.

International Outreach

Throughout 2011, the FDIC played a leading role among international standard-setting, regulatory, supervisory, and multi-lateral organizations by contributing to the development of policies with respect to reducing the moral hazard and other risks posed by SIFIs. Among the institutions the FDIC collaborated with, were the Basel Committee on Banking Supervision (BCBS), the FSB, and the International Association of Deposit Insurers (IADI).

Key to the international collaboration was the ongoing dialogue among the FDIC Chairman, Acting Chairman, other senior FDIC leaders and a number of senior financial regulators from the United Kingdom (UK) about the implementation of Dodd-Frank, Basel III, compensation policies, and how changes in the US financial regulations compare to regulatory developments in the UK and Europe. In light of the large cross-border operations, the primary areas of discussion and collaboration were development of recovery and resolution plans for SIFIs, the FDIC's plans for executing a SIFI resolution, and the importance of cross-border coordination in the event a SIFI becomes distressed.

The FDIC participated in Governors and Heads of Supervision and BCBS meetings and the supporting work streams, task forces, and Policy Development Group meetings to address the BCBS's work to calibrate and finalize the implementation of Basel III, monitor the new leverage ratio and liquidity standards, and complete work on the treatment of counterparty credit risk and

determination of surcharges on globally systemically important banks (G-SIBs). In addition to Basel III capital and liquidity reforms, the FDIC also participated in the BCBS initiatives related to surveillance standards, remuneration, supervisory colleges, operational risk, accounting issues, corporate governance, the fundamental review of the trading book, and credit ratings and securitization. Other major issues in these work streams include the recalibration of risk weights for securitization exposures, the comprehensive review of capital charges for trading positions, and the imposition of a capital charge for exposures to central counterparties.

Under the leadership of the FDIC Vice Chairman, who also serves as the President of IADI and the Chairman of its Executive Council, IADI made significant progress in advancing the 2009 IADI and the BCBS *Core Principles for Effective Deposit Insurance Systems* (Core Principles). The IADI and the BCBS released a Methodology for assessing compliance with the Core Principles in December 2010. The development of the Methodology was a collaborative effort led by IADI in partnership with the BCBS, the International Monetary Fund (IMF), the World Bank, the European Forum of Deposit Insurers (EFDI), and the European Commission (EC). Early in 2011, the Core Principles and Methodology were officially recognized by the IMF and the World Bank to assess the effectiveness of deposit insurance systems in the Financial Sector Assessment Program (FSAP), where the IMF and World Bank undertake comprehensive analyses of countries' financial sectors. Subsequently, in February 2011, the FSB approved the Core Principles and Methodology for inclusion in their Compendium of Key Standards for Sound Financial Systems. The official recognition of the Core Principles and Methodology by the IMF, the World Bank, and the FSB represent an important milestone in the acceptance of the role of effective systems of deposit insurance in maintaining financial stability.

The FSB Standing Committee on Standards Implementation (SCSI) agreed in late 2010 to conduct a thematic peer review of G20 deposit insurance systems. The key objectives of the review are threefold: to take stock of members' deposit insurance systems using, as a benchmark, the Core Principles; to identify any planned changes in national systems in response to the crisis; and to identify lessons on implementing deposit insurance reforms. In May 2011, the SCSI appointed a review team headed by the Deputy Chief Executive of the Hong Kong Monetary Authority, which included the FDIC's Director of Division of Insurance and Research. The FDIC completed the questionnaire addressing key features of the U.S. deposit insurance system, reforms recently undertaken, and the status of implementing the Core Principles. The SCSI discussed the preliminary FSB report on December 13–14, 2011, and presented the report to the FSB in early 2012.

Senior FDIC officials participated in meetings of the FSB Resolution Steering Group (ReSG), and on September 26, 2011, the FDIC hosted a meeting of the ReSG at the Seidman Center. With input from the various working groups, the ReSG prepared a number of documents for consideration by the FSB and G20 Leaders. These documents covered a range of subjects relating to cross-border resolutions including the *Key Attributes of Effective Resolution Regimes for Financial Institutions*, which covered such areas as cross-border cooperation agreements, resolvability assessments, recovery and resolution plans, and temporary stays on early termination rights. The *Key Attributes* document was released as a consultative document for public comment in July, and in November 2011, was presented to the G20 Leaders Summit in Cannes, France, as part of the overall recommendations to address threats to global financial stability.

In continuing support of the Association of Supervisors of Banks of the Americas (ASBA) mission and strategic development, the FDIC participated in ASBA's Board and technical committee meetings throughout 2011, led three technical assistance training missions in 2011, hosted the XIV ASBA Annual Assembly and Conference, and established a secondment program for ASBA members. Under the newly created secondment program, up to four

ASBA members per year will be selected to participate in a ten-week developmental program at the FDIC wherein the selected officials will get an "insider's view" of key Division of Risk Management Supervision (RMS) policy and operational systems. In recognition of the FDIC's leadership in the Association, the General Assembly elected FDIC's Director of RMS to serve a two-year term as Vice Chairman.

A delegation from Ukraine visits the FDIC's Dallas Regional Office to learn about franchise and asset marketing and other bank resolution topics. Delegation members with FDIC staff, from left: Sergii Naboka, Roman Rym, Andrii Olenchyk, Nataliia Lapaieva, and Liudmyla Lashchuk, all of the Deposit Guarantee Fund, Ukraine; George Fitz, DRR; Oleksii Tkachenko, National Bank of Ukraine; Jim Gallager, DRR; and Bob Carpenter, Legal.

The FDIC continued to provide technical assistance through training, consultations, and briefings to foreign bank supervisors, deposit insurance authorities, and other governmental officials, including the following:

- ★ The FDIC, on behalf of IADI, provided the content and technical subject matter expertise in the development of a tutorial on the *Core Principles*, which was released through the Financial Stability Institute's (FSI) Connect online system. The FDIC led the development of the IADI training seminar on "Deposit Insurance Assessments and Fund Management" and hosted the IADI executive training seminar. Working with the IADI Core Principles Working Group, the FDIC designed and led workshops on conducting assessments of the Core Principles. The design included development of a *Handbook for Conducting an Assessment*, applying the methodology approved by the IADI and BCBS. The training seminars were held in Washington, DC; Tirana, Albania; Basel, Switzerland; and Abuja, Nigeria.
- ★ The FDIC provided speakers to ASBA for several technical seminars including Credit Risk Analysis, Supervision of Operational Risk, and Financial Institution Analysis Training.
- ★ The FDIC hosted 106 visits with over 825 visitors from approximately 48 jurisdictions in 2011. In addition to several meetings with UK officials, the FDIC met with representatives from the Bank of Canada, Canada Department of Finance, the Office of the Superintendent of Financial Institutions, and the Canada Deposit Insurance Corporation. The purpose of the meeting with the Canadians was to discuss living wills and the resolution process for large complex financial institutions. The heads of the Indonesia Deposit Insurance Corporation, the Fondo Interbancario di Tutela dei Depositi (FITD) from Italy, the Instituto para la Protección de Ahorro Bancario (IPAB) from Mexico, and other senior staff from their respective agencies visited the FDIC for multi-day study tours. The delegations met with senior FDIC management and staff to learn about FDIC policies and procedures in a range of areas, including public affairs, bank resolutions, and fund management.
- ★ June 1, 2011, marked the four-year anniversary of the secondment program agreed upon by the Financial Services Volunteer Corps (FSVC) and the FDIC to place one or more FDIC employees full-time in FSVC's Washington, DC, office. In 2011, the FDIC provided support to several projects supporting the Central Bank of Iraq's (CBI) bank supervision program. The support included multiple training sessions, as well as a commentary addressing strategic recommendations and an overview of the effectiveness of the current bank supervisory program. Under the FDIC's guidance, the CBI has begun to build the technical skills needed for effective regulation of Iraq's banks. In addition, the FDIC welcomed two examiners from the Central Bank of Russia to shadow FDIC examiners during the on-site examination of a commercial bank in Texas. This

shadowing assignment provided the Russians a unique opportunity to observe a U.S. bank examination and to develop new skills in their risk analysis toolkit.

- As an additional element of its leadership role in promoting effective bank supervision practices, the FDIC provides technical assistance, training, and consultations to international governmental banking regulators in the area of Information Technology (IT) examinations. The FDIC sent two IT examiners to Serbia on December 5–9, 2011. The IT examiners participated in an assessment of the National Bank of Serbia's IT Supervision Program. The assessment included banking practices, applicable regulations, and staff skill levels. This assessment will be used to identify and prioritize measures needed to strengthen and improve the IT supervision program in Serbia. The engagement was organized by the World Bank as part of a larger program to strengthen independent banking in Serbia.

- In 2011, the FDIC hosted the China Banking Regulatory Commission (CRBC) to provide an overview of the IT examination process and the roles and responsibilities of the FDIC in the US bank regulatory environment.

- As part of IPAB's visit in September 13, 2011, Acting Chairman Gruenberg and IPAB Executive Secretary Mr. José Luis Ochoa signed a technical assistance memorandum of understanding (MOU) that formally establishes a collaborative and cooperative relationship between the FDIC and IPAB. An MOU for technical assistance was also established with the Deposit Guarantee Fund (DGF) of Ukraine that provides for ongoing communication with the DGF as they await the passage of a new law granting the DGF expanded powers to resolve problem banks and serve as receiver of the failed bank estates.

- During 2011, the FDIC provided subject matter experts to participate in 17 FSI seminars around the world. The topics included implementation of an international leverage ratio, effective macro prudential tools, stress testing, supervising credit risk, SIFI and bank resolutions, governance, accounting, deposit insurance, and risk-based supervision.

SUPERVISION AND CONSUMER PROTECTION

Supervision and consumer protection are cornerstones of the FDIC's efforts to ensure the stability of and public confidence in the nation's financial system. The FDIC's supervision program promotes the safety and soundness of FDIC-supervised IDIs, protects consumers' rights, and promotes community investment initiatives.

Examination Program

The FDIC's strong bank examination program is the core of its supervisory program. As of December 31, 2011, the FDIC was the primary federal regulator for 4,626 FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System (generally referred to as "state nonmember" institutions). Through risk management (safety and soundness), consumer compliance and Community Reinvestment Act (CRA), and other specialty examinations, the FDIC assesses an institution's operating condition, management practices and policies, and compliance with applicable laws and regulations. The FDIC also educates bankers and consumers on matters of interest and addresses consumer questions and concerns.

As of December 31, 2011, the FDIC conducted 2,712 statutorily required risk management (safety and soundness) examinations, including a review of Bank Secrecy Act (BSA) compliance, and all required follow-up examinations for FDIC-supervised problem institutions within prescribed time frames. The FDIC also conducted 1,757 statutorily required CRA/compliance examinations (825 joint CRA/compliance examinations, 921 compliance-only examinations, and 11 CRA-only examinations) and

6,002 specialty examinations. As of December 31, 2011, all CRA/compliance examinations were conducted within the time frame established by policy. The following table compares the number of examinations, by type, conducted from 2009 through 2011.

FDIC Examinations 2009 – 2011

	2011	2010	2009
Risk Management (Safety and Soundness):			
State Nonmember Banks	2,477	2,488	2,398
Savings Banks	227	225	203
Savings Associations	3	0	1
National Banks	1	3	0
State Member Banks	4	4	2
Subtotal—Risk Management Examinations	2,712	2,720	2,604
CRA/Compliance Examinations:			
Compliance/Community Reinvestment Act	825	914	1,435
Compliance-only	921	854	539
CRA-only	11	12	7
Subtotal—CRA/Compliance Examinations	1,757	1,780	1,981
Specialty Examinations:			
Trust Departments	466	465	493
Data Processing Facilities	2,802	2,811	2,780
Bank Secrecy Act	2,734	2,813	2,698
Subtotal—Specialty Examinations	6,002	6,089	5,971
Total	**10,471**	**10,589**	**10,556**

Risk Management

As of December 31, 2011, there were 813 insured institutions with total assets of $319.4 billion designated as problem institutions for safety and soundness purposes (defined as those institutions having a composite CAMELS rating of "4" or "5"), compared to the 884 problem institutions with total assets of $390.0 billion on December 31, 2010. This constituted a 5 percent decline in the number of problem institutions, and a 13 percent decrease in problem institution assets. In 2011, 196 institutions with aggregate assets of $83.2 billion were removed from the list of problem financial institutions, while 156 institutions with aggregate assets of $77 billion were added to the list. Superior Bank, Birmingham, Alabama, was the largest failure in 2011, with $3.0 billion in assets. The FDIC is the primary federal regulator for 533 of the 813 problem institutions, with total assets of $175.4 billion and $319.4 billion, respectively.

During 2011, the FDIC issued the following formal and informal corrective actions to address safety and soundness concerns: 146 Consent Orders, and 297 MOUs. Of these actions, 15 Consent Orders and 17 MOUs were issued based, in part, on apparent violations of the Bank Secrecy Act.

The FDIC is required to conduct follow-up examinations of all state nonmember institutions designated as problem institutions within 12 months of the last examination. As of October 31, 2011, all follow-up examinations for problem institutions were performed on schedule.

Compliance

As of December 31, 2011, 51 insured state nonmember institutions, about 1 percent of all supervised institutions, having total assets of $37.0 billion were rated "4" or "5" for consumer compliance purposes. As of December 31, 2011, all follow-up examinations for problem institutions were performed on schedule.

Overall, banks demonstrated strong consumer compliance programs. The most significant consumer protection issue that emerged from the 2011 compliance examinations involved banks' failure to adequately monitor third-party vendors. As a result, we found violations involving unfair or deceptive acts or practices, resulting in consumer restitution and civil money penalties. The violations involved a variety of issues including failure to disclose material information about new products being offered, deceptive marketing and sales practices, and misrepresentations about the costs of products. In many instances, the violations were the result of banks entering into new product markets through third-parties without maintaining sufficient oversight of vendors' activities.

During 2011, the FDIC issued the following formal and informal corrective actions to address compliance concerns: 38 Consent Orders, 111 MOUs, and 163 Civil Money Penalties (CMPs). In certain cases, the Consent Orders issued by the FDIC contain requirements for institutions to pay restitution in the form of refunds to consumers for different violations of laws. During 2011, over $11 million was refunded to consumers by institutions subject to Consent Orders. These refunds primarily related to unfair or deceptive practices by institutions, mainly related to different credit card programs, as discussed above.

In the case of CMPs, institutions pay penalties to the U.S. Treasury. Approximately 90 percent of the CMPs involved repeated errors in the submission of required data under the Home Mortgage Disclosure Act (HMDA) or statutorily mandated penalties for violations of the regulations entitled *Loans in Areas Having Special Flood Hazards*. The average CMP for HMDA and Flood Insurance violations was $8,400.

Bank Secrecy Act/Anti-Money Laundering

The FDIC pursued a number of BSA, Counter-Terrorist Financing (CFT), and Anti-Money Laundering (AML) initiatives in 2011.

The FDIC conducted an Advanced International AML and CFT training session in 2011 for twenty-seven financial sector supervisors and regulatory staff from Ethiopia, Ghana, Kenya, Nigeria, and Tanzania. The training focused on AML/CFT controls, the AML examination process, customer due diligence, suspicious activity monitoring, and foreign correspondent banking. The session also included presentations from the Federal Bureau of Investigation (FBI), the Financial Crimes Enforcement Network (FinCEN), the Drug Enforcement Administration (DEA), and U.S. Immigration and Customs Enforcement (ICE). Topics addressed by invited speakers included combating terrorist financing, trade-based money laundering, bulk cash smuggling and investigations, law enforcement use of BSA information, and the role of financial intelligence units in detecting and investigating illegal activities.

Additionally, the FDIC met with several foreign officials from Pakistan, at the request of the FinCEN, to provide an overview of the FDIC and the AML examination process used in the United States. The FDIC also met with eleven foreign officials from United Arab Emirates as a part of the U.S. Department of State's International Visitor Leadership Program to discuss the FDIC's AML Supervisory Program.

Minority Depository Institution Activities

The preservation of Minority Depository Institutions (MDIs) remains a high priority for the FDIC. In 2011, the FDIC continued to seek ways to improve communication and interaction with MDIs and to respond to the concerns of minority bankers. Many of the MDIs took advantage of the technical assistance offered by the FDIC, requesting

technical assistance on a number of bank supervision issues, including but not limited to, the following:

- ★ MDI Policy Statement and Program
- ★ Small Business Lending Fund
- ★ Deposit insurance assessments
- ★ FDIC Overdraft Guidance
- ★ Guidance on prepaid cards
- ★ Application process for change of control and shelf-charter applications
- ★ Filing branch and merger applications
- ★ Monitoring commercial real estate (CRE) concentrations
- ★ Reducing adversely classified assets
- ★ Maintaining adequate liquidity
- ★ Compliance issues
- ★ Community Reinvestment Act (CRA)

The FDIC continued to offer the benefit of having an examiner or a member of regional office management return to FDIC-supervised MDIs from 90 to 120 days after an examination to help management understand and implementing examination recommendations, or to discuss other issues of interest. Several MDIs took advantage of this initiative in 2011. Also, the FDIC regional offices held outreach training efforts and educational programs for MDIs.

A major highlight in 2011 was the biannual Interagency MDI Conference. The 2011 conference was held on June 14–16, 2011 in New York City. The conference theme was *Preserving the Future of Minority Depository Institutions*, and the activities included a session where potential investors in financial institutions had an opportunity to meet with senior managers and directors of MDIs attending the conference.

The FDIC held conference calls and banker roundtables with MDIs in the geographic regions. Topics of discussion for the calls included both compliance and risk management, and additional discussions included the economy, overall banking conditions, deposit insurance assessments, accounting, and other bank examination issues.

Capital and Liquidity Rulemaking and Guidance

OTC Derivatives Margin and Capital NPR

In April 2011, the FDIC, along with the other federal banking agencies, the Farm Credit Administration, and the Federal Housing Finance Agency (FHFA), published a proposed rule intended to enhance the stability of the financial system by preventing certain large financial firms from entering into uncollateralized derivatives exposures with each other. This proposed rule would implement certain requirements contained in Sections 731 and 764 of the Dodd-Frank Act, which provides that the largest and most active participants in the over-the-counter (OTC) derivatives market, that is, those designated as swaps dealers or major swaps participants by the Commodity Futures Trading Commission (CFTC) or the Securities Exchange Commission (SEC), to collect initial margin and variation margin. Final rulemaking is expected to be completed in 2012.

Retail Foreign Exchange Transactions

In May 2011, the FDIC Board of Directors approved the publication of a Notice of Proposed Rulemaking (NPR) that proposed disclosure, recordkeeping, capital and margin, reporting, business conduct, and documentation requirements on certain retail foreign currency transactions entered into between FDIC-supervised institutions and retail customers. The FDIC proposed these requirements in response to Section 742 of Dodd-Frank. In July 2011, the FDIC issued final regulations.

Advanced Approaches Floor Final Rule

In June 2011, the FDIC, along with the other federal banking agencies, approved a final rule to implement certain requirements of Section 171 of Dodd-Frank. Section 171 requires that the agencies' generally applicable capital requirements serve as a floor for other capital requirements the agencies may establish and, specifically, as a permanent floor for the advanced approaches risk-based capital rule.

Stress Testing Guidance

In June 2011, the FDIC along with the other federal banking agencies, issued proposed guidance on stress testing by banking organizations with more than $10 billion in total consolidated assets. The proposed guidance highlights the importance of stress testing as an ongoing risk management practice that supports a banking organization's forward-looking assessment of its risks, and provides principles that a banking organization should follow to develop, implement, and maintain an effective stress testing framework.

Counterparty Credit Risk Guidance

In July 2011, the FDIC, along with the other federal banking agencies, issued guidance to clarify supervisory expectations and sound practices for an effective counterparty credit risk management framework. The guidance was issued primarily for banks with significant derivatives portfolios and emphasizes that such banks should use appropriate reporting metrics and limits systems, have well-developed and comprehensive stress testing, and maintain systems that facilitate measurement and aggregation of counterparty credit risk throughout the organization. The agencies believe this guidance will address deficiencies exposed during the financial crisis by reinforcing sound practices related to the management and ongoing monitoring of counterparty exposure limits and concentration risks.

Volcker Rule NPR

In October 2011, the FDIC, along with the other federal banking agencies, and the SEC, published a joint NPR to implement the provisions of Section 619 of Dodd-Frank, which restricts the ability of banking entities to engage in proprietary trading and limits investments in hedge funds and private equity funds. Final rulemaking is expected to be completed in 2012.

Depositor and Consumer Protection Rulemaking and Guidance

SAFE Act

In January 2011, the FDIC along with the other federal banking agencies, issued an update related to the requirements of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act). The update reminded mortgage loan originators of the requirement to register with the Nationwide Mortgage Licensing System and Registry within 180 days of the date the Registry began accepting federal registrations.

Overdraft Guidance

In March 2011, the FDIC hosted a teleconference to discuss the 2010 Overdraft Payment Program Supervisor Guidance (Guidance) that was issued in November 2010. The Guidance encouraged institutions to monitor and oversee usage of overdraft payment programs to address the risks related to excessive and inappropriate use of automated overdraft programs as forms of high-cost, short-term credit. The teleconference was held to address many examination and implementation issues based on discussions with, and questions received from, FDIC-supervised institutions. The FDIC also published written answers to a series of Frequently Asked Questions concurrently with the teleconference. Examiners began monitoring banks' efforts to address the risks identified in the Guidance in July 2011. The FDIC will continue to monitor banks' efforts to manage risks of automated programs and assess the efficacy of the Guidance.

Examination Procedures

In August 2011, the FDIC issued revised examination procedures incorporating the model privacy notice. The Gramm-Leach-Bliley Act requires financial institutions to provide initial and annual notices to consumers with whom they have ongoing customer relationships to explain how nonpublic personal information is collected and shared. Financial institutions may use a model privacy notice issued by the federal banking agencies and the National Credit Union Administration, the Federal Trade Commission, the CFTC, and the SEC to comply with this requirement.

In December 2011, the FDIC, along with the other federal banking agencies, issued revised examination procedures for the regulations that implement the Truth in Lending Act (TILA). TILA requires various disclosures relating to the cost of consumer credit as well as several other requirements relating to credit for individual, consumer, or household purposes including residential real estate loans.

Other Guidance Issued

During 2011, the FDIC issued and participated in the issuance of other guidance in several areas as described below.

Incentive-Based Compensation

On April 14, 2011, the FDIC joined the other federal banking agencies, and the SEC and FHFA in issuing a joint NPR that would implement section 956 of Dodd-Frank (Enhanced Compensation Structure Reporting). Section 956 requires the participating agencies, as defined, to jointly: (a) prescribe regulatory reporting standards for incentive-based compensation and (b) prohibit incentive-based compensation that is "excessive" or "could lead to material financial loss" at a covered institution. Implementing this proposed rule would address a key safety and soundness issue that contributed to the recent financial crisis that poorly designed compensation structures can misalign incentives and induce excessive risk-taking at financial organizations. Importantly, this interagency proposal will apply across all types of financial institutions, limiting the opportunity for regulatory arbitrage. Per section 956, financial institutions with total assets less than $1.0 billion are exempt from this provision. Final rulemaking is expected to be completed in 2012.

Regulatory Actions Related to Foreclosure Activities by Large Servicers and Practical Implications for Community Banks

In May 2011, the FDIC published a special foreclosure edition of *Supervisory Insights*. This edition describes lessons learned from an interagency review of foreclosure practices at the 14 largest residential mortgage servicers, and includes examples of effective mortgage servicing practices derived from these lessons.

Regulatory Relief

During 2011, the FDIC issued 31 Financial Institutions Letters (FILs) that provided guidance to help financial institutions and facilitate recovery in areas damaged by hurricanes, wildfires, tornadoes, flooding, and other natural disasters. In addition, FIL-60-2001 dated August 26, 2011, reminded institutions how to prepare for business continuity during significant storms.

Other Policy Matters

Study on Core Deposits and Brokered Deposits

As required by Section 1506 of Dodd-Frank, the FDIC completed a study on the use of core and brokered deposits and provided a written report to Congress on its findings on July 8, 2011. The FDIC solicited comments from the banking industry and the public in preparing this study. The FDIC received approximately 75 written comments and organized a roundtable discussion with representatives from bank trade groups, bank regulators, deposit brokers, banks that use brokered deposits, and the academic community. Discussions on the issues were also

held with the FDIC Advisory Committee on Community Banking and in several separate meetings with banks, trade groups, and other interested parties. In addition, the FDIC undertook a statistical analysis of core and brokered deposits and conducted a literature review of academic studies on core and brokered deposits. The study evaluated the definitions of core and brokered deposits and recommended that Congress not amend or repeal the brokered deposit statute, which defines brokered deposits and prevents failing banks from increasing their brokered deposits and taking on more risk in an effort to grow out of their troubles.

Small Business Lending Forum

On January 13, 2011, the FDIC hosted a forum on "Overcoming Obstacles to Small Business Lending." The forum fostered communication among policymakers, regulators, small business owners, lenders, and other stakeholders regarding ways in which credit can be made more accessible to the small business sector. In addition to identifying common obstacles small businesses currently face, forum participants also assessed existing efforts and suggested additional policies to ensure that creditworthy small businesses have access to the credit they need to grow, create jobs, and help fuel the economic recovery. The FDIC addressed the key issues raised at the forum, including small businesses' demand for credit, banks' supply of credit, and bank regulators' approaches to evaluating small business loans.

Promoting Economic Inclusion

The FDIC has a strong commitment to promoting consumer access to a broad array of banking products to meet consumer financial needs. To promote financial access to responsible and sustainable products offered by IDIs, the FDIC:

- ★ conducts research into the unbanked and underbanked
- ★ engages in research and development on models of products meeting needs of lower-income consumers
- ★ supports partnerships to promote consumer access and use of banking services
- ★ advances financial education and literacy
- ★ facilitates partnerships to support community and small business development.

FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked

The FDIC is committed to ensuring that consumers have access to basic banking and other financial services, and to developing more and better data about unbanked and underbanked households, including factors that hinder them from fully utilizing the mainstream financial system. In line with this commitment, Congress mandated in Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Reform Act), that the FDIC conduct periodic surveys of banks' efforts to bring individuals and families into the conventional finance system.

Consequently, during 2011 and part of 2012, the FDIC will conduct a second set of nationwide surveys of households and FDIC-IDIs (banks survey) to assess efforts to serve unbanked and underbanked individuals and families. The first phase of the bank survey will gather information from a sample of bank headquarters and a second phase will collect data at the branch level. The 2011 survey focused on banks' basic transaction and savings account programs, auxiliary product and service offerings, and financial education and outreach efforts.

The results will complement the previously collected data and will help banks improve their abilities to meet the diverse financial needs of U.S. households. The survey also helps to inform the public about the FDIC's continuing economic inclusion efforts.

Model Safe Account Pilot

The FDIC began a one-year pilot program in January 2011 to determine the feasibility of IDIs offering safe, low-cost transactional and savings accounts to help meet the needs of the 25 percent of U.S. households that are unbanked and underbanked. These accounts are FDIC insured and are covered under consumer protection laws and regulations, such as Regulation E (Electronic Funds Transfer), in the same way as traditional deposit accounts. Through the pilot, nine participating institutions are offering electronic deposit accounts with product features identified in the FDIC Model Safe Accounts Template. These accounts do not allow for overdraft or nonsufficient funds fees. At the completion of the pilot, in early 2012, the FDIC will report on the findings and lessons learned.

Affordable Small-Dollar Loan Guidelines and Pilot Program

The FDIC continued to promote the results of the FDIC Small-Dollar Loan Pilot. In May 2011, the FDIC hosted a meeting of the FFIEC CRA subcommittee to examine opportunities to enhance understanding of small-dollar lending among regulated institutions and to promote consistent emphasis in CRA examinations. The meeting, attended by senior staff from the banking regulatory agencies, CSBS, the New York State Banking Department, and the National Credit Union Administration, reviewed the findings from the FDIC research and pilot, and related outreach and education work. On September 22, 2011, FDIC offered testimony on the FDIC's Small-Dollar Loan Pilot at a hearing of the House Financial Services Committee Subcommittee on Financial Institutions and Consumer Credit entitled "An Examination of the Availability of Credit for Consumers." In addition, results from the pilot were discussed at several conferences throughout the year, including the Microfinance USA Conference in New York at the Association of Military Bankers of America, and in media interviews.

Safe Mortgage Lending in Low- and Moderate-Income (LMI) Communities

In early 2011, the FDIC Chairman's Advisory Committee on Economic Inclusion held a public meeting at headquarters and discussed principles for responsible low- and moderate-income (LMI) mortgage lending, the impact of the housing crisis on LMI families, and potential future market structures to safely serve LMI borrowers. In addition, FDIC researchers presented two papers at widely attended conferences, analyzing some of the outcomes of the mortgage crisis on housing mobility, and trends in mortgage refinancing among low-income households.

Partnerships to Promote Consumer Access: Alliance for Economic Inclusion

The goal of the FDIC's Alliance for Economic Inclusion (AEI) initiative is to collaborate with financial institutions; community organizations; local, state, and federal agencies; and other partners in select markets, to launch broad-based coalitions to bring unbanked and underserved consumers into the financial mainstream.

The FDIC expanded its AEI efforts during 2011 to increase measurable results in the areas of new bank accounts, small-dollar loan products, and the delivery of financial education to underserved consumers. Specifically, during 2011:

- More than 494 banks and organizations joined AEI nationwide, bringing the total number of AEI members to 1,613. The 2011 figure represents a 44 percent growth over the AEI membership base at the end of 2010.
- At least 171,591 consumers opened a bank account as a result of AEI efforts, an increase of 138 percent over the number of new accounts opened during 2010. Combined, more than 404,591 bank accounts have been opened through the AEI program.
- Approximately 87,476 consumers received financial education through the AEI, bringing the total number of consumers educated to 270,476. The 2011 figure is a 56 percent improvement over the 2010 figure.

Also, twenty-four banks were in the process of offering or developing small-dollar loans, and seventeen AEI banks were providing deposit accounts consistent with the FDIC Model Safe Account Template through the AEI at the end of 2011. To facilitate broader economic inclusion, FDIC leads AEI members in other work appropriate to the needs of the local market. For example, the 4th Annual AEI Small Business Conference in New Orleans reached more than 200 entrepreneurs, bankers, and small business resource providers, while the Los Angeles AEI promoted small business development through two guides (one to help small businesses save money by "greening" their business and the other to help gain access to the export market).

During 2011, FDIC also expanded the geographic reach of the AEI program. Initially in fourteen markets, the FDIC began the formation of AEI initiatives in three additional markets: Milwaukee, Wisconsin; the Appalachian region of West Virginia; and the Metro Detroit/Southeast Michigan area. These markets were selected because of their sizable concentrations of unbanked and underbanked households. In collaboration with the Wisconsin Women's Business Initiative Corporation, FDIC launched the Milwaukee AEI initiative on January 19, 2011, consisting of twenty-one financial institutions and community-based partners. And on December 19, 2011, the FDIC and the United Way of Southeast Michigan launched the Southeast Michigan AEI coalition. The launch was attended by forty-eight financial institutions and community-based organizations, including the Consulate of Mexico and Bank On Detroit representatives. The FDIC collaborated with the West Virginia Development Office and Appalachian Regional Commission on the AEI proposal for launch in West Virginia during 2012.

Additionally, the FDIC provided program guidance and technical assistance in the development, launch, and the expansion of 26 *Bank On* programs. In AEI markets where there is a *Bank On* initiative, FDIC and its AEI partners generally collaborate with representatives from the *Bank On* initiative towards shared objectives. For example, FDIC provided technical assistance on recruitment from the financial services industry for *Bank On/Save Up* Kansas City, Missouri, which is a local effort to market savings and checking accounts to the unbanked and underbanked that was launched on June 4, 2011, conducted in collaboration with the Kansas City AEI. FDIC staff also provided technical, marketing, and financial education product support for the new *Bank On* Chicago initiative, and the *Bank On* Los Angeles initiative conducted under the FDIC AEI umbrella.

Advancing Financial Education

The FDIC's award-winning *Money Smart* curriculum has reached more than 2.75 million consumers in the ten years since its launch in 2001. During 2011, the FDIC reached approximately 265,000 consumers with *Money Smart*. The curriculum is currently available in instructor-led versions to teach adults and young adults, as well as in self-paced computer-based and audio versions.

The FDIC expanded its financial education efforts during 2011 through a multi-part strategy that included making available timely, high-quality financial education products, sharing best practices, and working through partnerships to reach consumers.

Recognizing the growing role of entrepreneurs in the economy, the *Money Smart* program started its second decade by expanding the reach of the curriculum to small businesses. During 2011, the FDIC collaborated with the Small Business Administration on the development of a new instructor-led financial education curriculum for small businesses. It consists of ten modules that introduce prospective or current small businesses to basic strategies to manage a small business effectively from a financial standpoint. The pilot curriculum is being refined in advance of an early 2012 launch.

On February 10, 2011, the FDIC released an enhanced version of its instructor-led *Money Smart* for Young Adults financial education curriculum. The updated curriculum reflects changes to the financial landscape such as amendments to the rules pertaining to credit cards, the overdraft opt-in rule, and information on financing higher education and instructional best practices since the curriculum's release in 2008.

On November 7, 2011, the FDIC released the *Money Smart* curriculum for the first time in Haitian-Creole and Hindi, making the instructor-led curriculum available in nine languages, in addition to the large-print and Braille versions. Also, on this date, updated versions of the Chinese, English, Haitian-Creole, Hindi, Hmong, Korean, Russian, Spanish, and Vietnamese language versions of *Money Smart* were released. These updated curriculums reflect the enhancements made to the English language version of *Money Smart* released in November of 2010, which include the addition of a new module on financial recovery.

Improvements were also made to the self-paced versions of *Money Smart*. The *Money Smart* Computer-Based Instructions (CBI) was rewritten and significantly enhanced. For example, the new CBI includes age-appropriate tracks for adults and young adults aligned with the respective updated instructor-led curriculums. Originally launched in 2004, the new CBI also incorporates new technological enhancements and best practices in instructional design, such as a game-based design and new tools for users to retrieve previously earned certificates of completion of modules. The new CBI was piloted during 2011 with key partners in advance of a first quarter 2012 launch.

Partnerships to Support Community and Small Business Development

Through training and technical assistance to diverse organizations that use the *Money Smart* program, the FDIC emphasizes the importance of pairing education with access to appropriate banking products and services. Approximately 1,200 organizations are members of the FDIC's *Money Smart* Alliance, 1,205 practitioners attended the 61 train-the-trainer workshops conducted during 2011, and the FDIC worked with many additional organizations to promote financial education.

During 2011, the FDIC expanded on its new[2] partnership with the National Credit Union Administration and the U.S. Department of Education to promote financial education and access for low- and moderate-income students. The FDIC focused its work through this partnership by promoting financial education and access resources to the U.S. Department of Education's grantees by participating in both national and four regional/state conferences to conduct workshops to reach managers of Federal TRIO Programs[3] and Gear-UP programs that reach low- and moderate-income students and their families.

[2] This partnership began on November 15, 2010.

[3] The Federal TRIO Programs (TRIO) are federal outreach and student services programs designed to identify and provide services for individuals from disadvantaged backgrounds.

Vice Chairman Martin J. Gruenberg makes a point during the sixth Community Bank Advisory Committee meeting.

Leading Community Development

The FDIC hosted its sixth Community Bank Advisory Committee meeting in May 2011. Fourteen members, most of them heads of community banks throughout the nation, discussed trends and issues involving community banking and the future of this sector.

FDIC community affairs staff is located in each of the FDIC's regions nationwide and lead a range of community development activities. In 2011, the FDIC undertook over 676 community development, technical assistance, financial education, and outreach activities and events. These activities were designed to promote awareness of investment opportunities to financial institutions, access to capital within communities, knowledge-sharing among the public and private sector, and wealth-building opportunities for families.

The FDIC collaborated with the Office of Comptroller of the Currency and Federal Reserve Banks to conduct 35 CRA/Community Development roundtables to help financial institutions learn how to more effectively meet community credit needs and promote compliance with CRA regulations.

Recognizing the importance of small business growth and job creation as an essential component in America's economic recovery, the FDIC continued its emphasis on facilitating small-business development, expansion, and recovery. In 2011, the FDIC and the SBA co-sponsored 28 small-business information, resource, and capacity-building seminars. The events provided information and resources to over 2,276 small business owners, entrepreneurs, banking professionals, and others.

The FDIC also continued to help consumers and the banking industry avoid unnecessary foreclosures and stop foreclosure "rescue" scams that promise false hope to consumers at risk of losing their homes. The FDIC focused its foreclosure mitigation efforts in three areas:

- **Direct outreach to consumers with information, education, counseling, and referrals.** During 2011, in collaboration with NeighborWorks®America, the FDIC sponsored eight events at which 7,392 homeowners attended, 68 counseling organizations provided direct services and 18 loan servicers participated.
- **Industry outreach and education targeted to lenders, loan servicers, local governmental agencies, housing counselors, and first responders (faith-based organizations, advocacy organizations, social service organizations, etc.**). During 2011, the FDIC co-hosted one major loan modification scam outreach event in collaboration with NeighborWorks®America and supported several ongoing loan modification scam campaigns. These outreach activities are targeted to local agencies and nonprofits that have the capacity to educate stakeholders. These activities resulted in more than 35,372 scam complaint calls since the campaign began.

- **Support for capacity-building initiatives to help expand the quantity and quality of foreclosure counseling assistance that is available within the industry.** Working closely with NeighborWorks® America and other national and local counselors and intermediaries, the FDIC supported industry efforts to build the capacity of housing counseling agencies. The FDIC facilitated the development of a new course, *Marketing Your Neighborhood for Stabilization and Revitalization* that was offered at two NeighborWorks training institutes to approximately twenty-one homeownership professionals. Also, more than 1,680 participants from 1,071 organizations completed six community stabilization e-learning courses offered through NeighborWorks® America sponsored by FDIC. These e-learning courses include the new *Introduction to Affordable Housing* launched on October 10, 2011.

Information Technology, Cyber Fraud, and Financial Crimes

The FDIC, jointly with the U.S. Department of Justice, sponsored a Financial Crimes Conference in May 2011 that focused on all types of financial fraud, and how the law enforcement community and regulators can respond effectively to fraud. Other major accomplishments during 2011 in promoting information technology (IT) security and combating cyber fraud and other financial crimes included the following:

- Issued, in conjunction with the FFIEC, the *Supplement to Authentication in an Internet Banking Environment* guidance, which strengthens the controls banks use to protect online banking transactions.

- Issued revised guidance describing potential risks associated with relationships with third-party entities that process payments for telemarketers, online businesses, and other merchants.

- Issued a risk advisory to examiners describing the risks of mobile banking.

- Held an Emerging Technology Risk Analysis Center Event on January 12, 2011, with five industry experts who discussed emerging technologies and associated risks that may affect the banking industry.

- Established an intra-divisional FDIC Payments Risk Working Group to strengthen awareness of current and emerging payments-related supervisory issues. Representatives from all examination disciplines are participating in the Working Group.

- Assisted financial institutions in identifying and shutting down "phishing" websites. The term "phishing"—as in "fishing" for confidential information—refers to a scam that encompasses fraudulently obtaining and using an individual's personal or financial information.

- Issued 28 Special Alerts to FDIC-supervised institutions on reported cases of counterfeit or fraudulent bank checks.

- Issued 4 Consumer Alerts pertaining to e-mails and telephone calls fraudulently claiming to be from the FDIC.

The FDIC conducts IT examinations of financial institutions and technology service providers (TSP). These examinations ensure that institutions and TSPs have implemented adequate risk management practices for the confidentiality, integrity, and availability of sensitive, material, and critical information assets. The result of the examination is a FFIEC Uniform Rating System for Information Technology (URSIT) rating. In 2011, the FDIC conducted 2,802 IT examinations at financial institutions and TSPs. Further, as part of its ongoing supervision process, the FDIC monitors significant events, such as data breaches and natural disasters that may affect financial institution operations or customers.

Consumer Complaints and Inquiries

The FDIC investigates consumer complaints concerning FDIC-supervised institutions and answers inquiries from the public about consumer protection laws and banking practices. As of December 31, 2011, the FDIC received 12,942 written complaints, of which 5,997 involved complaints against state nonmember institutions. The FDIC responded to over 98 percent of these complaints within time frames established by corporate policy, and acknowledged 100 percent of all consumer complaints and inquiries within fourteen days. The FDIC also responded to 2,608 written inquiries, of which 484 involved state nonmember institutions. In addition, the FDIC responded to 6,134 telephone calls from the public and members of the banking community, of which 4,293 concerned state nonmember institutions.

Coordination with the Consumer Financial Protection Bureau

Under the Dodd-Frank Act, the Consumer Financial Protection Bureau (CFPB) began operations on July 21, 2011. The CFPB was given primary supervisory responsibility for certain enumerated consumer protection laws and regulations for institutions with assets over $10 billion, and their affiliates. The FDIC coordinated with the CFPB throughout 2011 to ensure an orderly transfer of forty-one institutions to the CFPB's consumer protection jurisdiction. The FDIC continues to work with the CFPB to implement other requirements, including simultaneous examinations for other laws, such as the CRA, for which the FDIC retains primary responsibility for all state chartered, nonmember banks, including those with assets over $10 billion.

Between July 21 and December 31, 2011, the FDIC received 935 complaints involving FDIC-supervised banks under the jurisdiction of the CFPB. Under the agreement between the FDIC and the CFPB, the FDIC investigated 576 of the 935 complaints and referred the remaining 359 to the CFPB.

The FDIC provided substantial resources to the CFPB during 2011 on a temporary basis. The FDIC helped the CFPB develop its consumer complaint processing functions, enforcement program, and community affairs program. Under a cooperative agreement between the FDIC and the CFPB, FDIC employees were also offered voluntary transfer opportunities to become permanent CFPB employees. A total of forty-one FDIC employees transferred to the CFPB as of July 2011.

Public Awareness of Deposit Insurance Coverage

The FDIC provides a significant amount of education for consumers and the banking industry on the rules for deposit insurance coverage. An important part of the FDIC's deposit insurance mission is ensuring that bankers and consumers have access to accurate information about the FDIC's rules for deposit insurance coverage. The FDIC has an extensive deposit insurance education program consisting of seminars for bankers, electronic tools for estimating deposit insurance coverage, and written and electronic information targeted for both bankers and consumers.

In 2011, the FDIC continued its efforts to educate bankers and consumers about the rules and requirements for FDIC insurance coverage. The FDIC conducted seventeen telephone seminars for bankers on deposit insurance coverage, reaching an estimated 57,000 bankers participating at over 16,000 bank locations throughout the country. The FDIC also updated its deposit insurance coverage publications and educational tools for consumers and bankers, including brochures, resource guides, videos, and the Electronic Deposit Insurance Estimator (EDIE).

During 2011, the FDIC received and answered approximately 119,300 telephone deposit insurance-related inquiries from consumers and bankers. The FDIC Call Center addressed 86,700 of these inquiries, and deposit insurance coverage subject matter experts handled the other 32,600. In addition to telephone inquiries about deposit insurance coverage, the FDIC received 2,500 written inquiries from consumers and bankers. Of these inquiries, 99 percent received responses within two weeks, as required by corporate policy.

RESOLUTIONS AND RECEIVERSHIPS

The FDIC has the unique mission of protecting depositors of insured banks and savings associations. No depositor has ever experienced a loss on the insured amount of his or her deposit in an FDIC-insured institution due to a failure. Upon closure of an institution typically by its chartering authority—the state for state-chartered institutions, and the Office of the Comptroller of the Currency (OCC) for national banks, and federal savings associations[4]—the FDIC is appointed receiver, and the FDIC is responsible for resolving the failed bank or savings association.

The FDIC employs a variety of business practices to resolve a failed institution. These business practices are typically associated with either the resolution process or the receivership process. Depending on the characteristics of the institution, the FDIC may recommend several of these practices to ensure the prompt and smooth payment of deposit insurance to insured depositors, to minimize the impact on the DIF, and to speed dividend payments to creditors of the failed institution.

The resolution process involves valuing a failing institution, marketing it, soliciting and accepting bids for the sale of the institution, determining which bid is least costly to the insurance fund, and working with the acquiring institution through the closing process.

To minimize disruption to the local community, the resolution process must be performed quickly and as smoothly as possible. There are three basic resolution methods: purchase and assumption transactions, deposit payoffs, and Deposit Insurance National Bank (DINB) assumptions.

The purchase and assumption (P&A) transaction is the most common resolution method used for failing institutions. In a P&A transaction, a healthy institution purchases certain assets and assumes certain liabilities of the failed institution. A variety of P&A transactions can be used. Since each failing bank situation is different, P&A transactions provide flexibility to structure deals that result in the highest value for the failed institution. For each possible P&A transaction, the acquirer may either acquire all or only the insured portion of the deposits. Loss sharing may be offered by the receiver in connection with a P&A transaction. In a loss-share transaction, the FDIC as receiver agrees to share losses on certain assets with the acquirer. The FDIC usually agrees to absorb a significant portion (for example, 80 percent) of future losses on assets that have been designated as "shared loss assets" for a specific period of time (for example, five to ten years). The economic rationale for these transactions is that keeping shared loss assets in the banking sector can produce a better net recovery than would the FDIC's immediate liquidation of these assets.

Deposit payoffs are only executed if a bid for a P&A transaction does not meet the least-cost test or if no bids are received, in which case the FDIC, in its corporate capacity as deposit insurer, makes sure that the customers of the failed institution receive the full amount of their insured deposits.

[4] OCC assumed this responsibility from the Office of Thrift Supervision (OTS) on July 21, 2011.

The Banking Act of 1933 authorizes the FDIC to establish a DINB to assume the insured deposits of a failed bank. A DINB is a new national bank with limited life and powers that allows failed bank customers a brief period of time to move their deposit account(s) to other insured institutions. Though relatively seldom used, a DINB allows for a failed bank to be liquidated in an orderly fashion, minimizing disruption to local communities and financial markets.

The receivership process involves performing the closing functions at the failed institution, liquidating any remaining failed institution assets, and distributing any proceeds of the liquidation to the FDIC and other creditors of the receivership. In its role as receiver, the FDIC has used a wide variety of strategies and tools to manage and sell retained assets. These include, but are not limited to asset sale and/or management agreements, structured transactions, and securitizations.

Financial Institution Failures

During 2011, there were 92 institution failures, compared to 157 failures in 2010. For the institutions that failed, the FDIC successfully contacted all known qualified and interested bidders to market these institutions. The FDIC also made insured funds available to all depositors within one business day of the failure if it occurred on a Friday and within two business days if the failure occurred on any other day of the week. There were no losses on insured deposits, and no appropriated funds were required to pay insured deposits.

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

Failure Activity 2009–2011
DOLLARS IN BILLIONS

	2011	2010	2009
Total Institutions	92	157	140
Total Assets of Failed Institutions*	$34.9	$92.1	$169.7
Total Deposits of Failed Institutions*	$31.1	$79.5	$137.1
Estimated Loss to the DIF	$7.9	$22.3	$37.1

*Total assets and total deposits data are based on the last Call Report filed by the institution prior to failure.

Asset Management and Sales

As part of its resolution process, the FDIC makes every effort to sell as many assets as possible to an assuming institution. Assets that are retained by the receivership are evaluated; for 95 percent of the failed institutions, at least 90 percent of the book value of marketable assets are marketed for sale within 90 days of an institution's failure for cash sales and 120 days for structured sales.

Structured sales for 2011 totaled $2.8 billion in unpaid principal balances from commercial real estate and residential loans acquired from various receiverships. These transactions often involved FDIC-guaranteed and nonguaranteed purchase money debt and equity in a limited liability company shared between the respective receivership that contributed the assets to the sale and the successful purchaser. Cash sales of assets for the year totaled $1.1 billion in book value. In addition to structured and cash sales, FDIC also use securitizations to dispose of bank assets. In 2011, securitization sales totaled $1.1 billion.

As a result of our marketing and collection efforts, the book value of assets in inventory decreased by $6.1 billion (23 percent) in 2011. The following chart shows the beginning and ending balances of these assets by asset type.

Assets in Inventory by Asset Type
DOLLARS IN MILLIONS

ASSET TYPE	ASSETS IN INVENTORY 01/01/11	ASSETS IN INVENTORY 12/31/11
Securities	$2,376	$1,225
Consumer Loans	56	31
Commercial Loans	1,029	585
Real Estate Mortgages	5,683	2,208
Other Assets/Judgments	2,103	1,396
Owned Assets	2,086	1,007
Net Investments in Subsidiaries	881	290
Structured and Securitized Assets	12,784	14,171
Total	**$26,998**	**$20,913**

The FDIC uses contractors extensively to manage and sell the assets of failed institutions. Multiple improvements were made to controls over contractor costs and the quality of their deliverables, including the development of invoice review checklists, a standard contractor performance evaluation review process, and a series of peer-to-peer reviews.

Receivership Management Activities

The FDIC, as receiver, manages failed banks and their subsidiaries with the goal of expeditiously winding up their affairs. The oversight and prompt termination of receiverships help to preserve value for the uninsured depositors and other creditors by reducing overhead and other holding costs. Once the assets of a failed institution have been sold and the final distribution of any proceeds is made, the FDIC terminates the receivership. In 2011, the number of receiverships under management increased by 27 percent, due to the increase in failure activity. The following chart shows overall receivership activity for the FDIC in 2011.

Receivership Activity

Active Receiverships as of 01/01/11*	344
New Receiverships	92
Receiverships Terminated	5
Active Receiverships as of 12/31/11*	431

*Includes five FSLIC Resolution Fund receiverships.

Minority and Women Outreach

In 2011, the FDIC awarded 1,936 contracts. Of these, 558 contracts (29 percent) were awarded to Minority- and Women-Owned Businesses (MWOBs). The total dollar value of contracts awarded was $1.4 billion, of which $417 million (29 percent) was awarded to MWOBs, compared to 24 percent for all of 2010. In addition, engagements of Minority- and Women-Owned Law Firms (MWOLFs) were 30 percent of all engagements; total payments of $23 million to MWOLFs were 17 percent of all payments to outside counsel, compared to 10 percent for all of 2010. Policy modifications and contracting procedures have also resulted in the following changes and/or new initiatives:

- The Office of Minority and Women Inclusion (OMWI) participates on contracting Technical Evaluation Panels as a voting member.
- The FDIC entered into an MOU with the U.S. Small Business Administration to participate in their 8(a) Program in May 2011.
- The FDIC issues some contracts on a regional basis, or allows contractors to bid on a subset of a contract, rather than requiring them to bid on the entire contract, in order to allow MWOBs and small businesses to be more competitive.

In 2011, the FDIC exhibited at 18 procurement-specific trade shows to provide participants with the FDIC's general contracting procedures, prime contractors' contact information, and possible upcoming solicitations. Prime contractors are reminded of the FDIC's emphasis on MWOB participation and are encouraged to subcontract or partner with MWOBs. The FDIC also exhibited at seven non-procurement events where contracting information was provided. In addition, the FDIC's Legal Division was represented at trade shows where information was provided to MWOLFs about outside counsel opportunities and how to enter into co-counsel arrangements with majority firms.

FDIC personnel frequently met with MWOBs and MWOLFs in one-on-one meetings to discuss contracting opportunities at the FDIC. MWOBs are encouraged to register in the FDIC's Contractor Resource List, which is an online self registration system that can be accessed through the FDIC's website by any firm interested in doing business with the FDIC. FDIC personnel use the Contractor Resource List to develop source lists for solicitations.

As a result of the Asset Purchaser, Investor, and Minority Depository Institutions Outreach seminars conducted in 2010, the FDIC developed an Investor Match Program (IMP). The IMP was launched in September 2011 to encourage and facilitate interaction between small investors, asset managers and large investors to bring sources of capital together with the expertise needed to participate in structured sales transactions. Two structured transactions workshops for Minority- and Women-Owned Investors and Asset Managers were held in New York, New York and Irvine, California. Information was presented on how structured transactions are planned and conducted, including an introduction and overview on the structured transactions process and bidder qualification procedures. In addition, speakers highlighted some key features of transaction documents, their experience in dealing with tax-related issues, as well as post-bid management oversight and the document reporting process.

The FDIC piloted a Small Investor Program (SIP) in 2011 to increase MWOB participation in accordance with Section 342 of Dodd-Frank. The SIP is geared towards marketing distressed loans under the structured sales program to smaller investors, many of whom are MWOBs. The SIP offers smaller-sized asset pools than a typical multi-bank structured loan sale. For this program, a pool of loans would typically be drawn from a single receivership resulting in the loan pool being secured by collateral in a more concentrated geographical area than would be found in a traditional, nationwide or regional multibank structured sale. The FDIC also adjusted the structure of the SIP to make offerings more accessible to smaller investors and to increase participation while maintaining a level playing field for all investors.

In 2012, as the FDIC winds down the operations of failed institutions and liquidates residual assets, the FDIC will continue to encourage and foster diversity and the inclusion of MWOBs in its procurement activities, outside counsel engagements, and asset sales programs.

Protecting Insured Depositors

The FDIC's ability to attract healthy institutions to assume deposits and purchase assets of failed banks and savings associations at the time of failure minimizes the disruption to customers and allows assets to be returned to the private sector immediately. Assets remaining after resolution are liquidated by the FDIC in an orderly manner, and the proceeds are used to pay creditors, including depositors whose accounts exceeded the insurance limit. During 2011, the FDIC paid dividends of $12 million to depositors whose accounts exceeded the insured limit(s).

Professional Liability and Financial Crimes Recoveries

FDIC staff works to identify potential claims against directors, officers, fidelity bond insurance carriers, appraisers, attorneys, accountants, mortgage loan brokers, title insurance companies, securities underwriters, securities issuers, and other professionals who may have contributed to the failure of an IDI. Once a claim is deemed meritorious and cost-effective to pursue, the FDIC initiates legal action against the appropriate parties. During 2011, the FDIC recovered $240.4 million from professional liability claims/settlements. The FDIC also authorized lawsuits related to 30 failed institutions against 264 individuals for director and officer liability with damage claims of $5.1 billion. The FDIC also authorized 19 other lawsuits for fidelity bond, liability insurance, attorney malpractice, appraiser malpractice, and RMBS claims. There also were 189 residential mortgage malpractice and fraud lawsuits pending as of year-end. At the end of 2011, the FDIC's caseload included 52 professional liability lawsuits (up from 27 at year-end 2010) and 1,811 open investigations (down from 2,750) at year-end 2010.

In addition, as part of the sentencing process for those convicted of criminal wrongdoing against institutions that later failed, a court may order a defendant to pay restitution or to forfeit funds or property to the receivership. The FDIC, working in conjunction with the U.S. Department of Justice, collected $3,633,426 from criminal restitutions and forfeitures during the year. At year-end, there were 5,192 active restitution and forfeiture orders (up from 4,895 at year-end 2010). This includes 294 FSLIC Resolution Fund orders, *i.e.*, orders inherited from the Federal Savings and Loan Insurance Corporation on August 10, 1989, and orders inherited from the Resolution Trust Corporation on January 1, 1996.

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

The FDIC recognizes that it must effectively manage its human, financial, and technological resources to successfully carry out its mission and meet the performance goals and targets set forth in its annual performance plan. The FDIC must align these strategic resources with its mission and goals and deploy them where they are most needed to enhance its operational effectiveness and minimize potential financial risks to the DIF. Major accomplishments in improving the FDIC's operational efficiency and effectiveness during 2011 follow.

Human Capital Management

The FDIC's human capital management programs are designed to recruit, develop, reward, and retain a highly skilled, cross-trained, diverse, and results-oriented workforce. In 2011, the FDIC stepped up workforce planning and development initiatives that emphasized hiring the additional skill sets needed to address requirements of Dodd-Frank, especially as it related to the oversight of systemically important financial institutions. Workforce planning also addressed the need to start winding down bank closure activities in the next few years, based on the decrease in the number of financial institution failures and institutions in at-risk categories. The FDIC also deployed a number of strategies to more fully engage all employees in advancing its mission.

Succession Management

In 2011, the FDIC expanded its education and training curriculum for employees in the business lines and support functions, and for leadership development. Additionally, classroom learning and development opportunities were supplemented and supported with the expansion of e-learning, simulations, electronic performance support systems, job aids, and tool kits to quickly facilitate work processes and overall efficiencies. The FDIC also engaged in a number of knowledge

management initiatives to capture lessons learned and best practices during the financial crisis, in support of future corporate readiness.

The FDIC continues to expand leadership development opportunities to all employees, including newly hired employees. This curriculum takes a holistic approach, aligning leadership development with critical corporate goals and objectives, and promotes the desired corporate culture. By developing employees across the span of their careers, the FDIC builds a culture of leadership and further promotes a leadership succession strategy. The final course of the new leadership curriculum, which consists of five core courses, was launched in November 2011. Four new electives were also delivered in 2011.

Additionally, the FDIC formalized its Master's of Business Administration (MBA) program for Corporate Managers and Executive Managers, in conjunction with the University of Massachusetts. Two candidates were selected for the 2011–2014 class.

Strategic Workforce Planning and Readiness

The FDIC used various employment strategies in 2011 to meet the need for additional human resources resulting from the number of failed financial institutions and the volume of additional examinations. Among these strategies, the FDIC reemployed over 200 retired FDIC examiners, attorneys, resolutions and receiverships specialists, and support personnel, and hired employees of failed institutions in temporary and term positions. The FDIC also recruited mid-career examiners who had developed their skills in other organizations, recruited loan review specialists and compliance analysts from the private sector, and redeployed current FDIC employees with the requisite skills from other parts of the agency.

In response to the requirements of Dodd-Frank, the FDIC worked with the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), and the Consumer Financial Protection Bureau (CFPB) to close the OTS and transfer the OTS employees to the other agencies. In addition, certain employees from the Federal banking agencies were transferred to the CFPB. When the OTS closed on July 21, 2011, the FDIC received ninety-five of its employees. Also, as part of the transfer under Dodd-Frank, the FDIC became the primary regulator for 61 state-chartered thrifts.

As the numbers of failed financial institutions increased during 2009 and 2010, the FDIC fully staffed two temporary satellite offices on both the West Coast and the East Coast to bring resources to bear in especially hard-hit areas. The West Coast Temporary Satellite Office opened in Irvine, California, in early spring of 2009 and as of year-end 2011 had 308 employees. The East Coast Temporary Satellite Office opened in Jacksonville, Florida, in the fall of 2009 and as of the end of 2011, had 383 employees. In January 2010, the FDIC Board authorized opening a third satellite office for the Midwest in Schaumburg, Illinois. During 2010, the office was established and, as of the end of 2011, had 255 employees. The FDIC also increased resolutions and receiverships staff in the Dallas regional office. Almost all of the employees in these new offices were hired on a nonpermanent basis to handle the temporary increase in bank-closing and asset management activities expected over the two to four years, beginning in 2009. The use of term appointments will allow the FDIC staff to return to an adjusted normal size once the crisis is over without the disruptions that reductions in permanent staff would cause.

During 2011, plans were formulated, based on projections of a drop in the numbers of bank failures in 2012 and beyond, to begin the orderly closing of the temporary satellite offices, beginning with the Irvine office in January 2012. The Midwest Office is scheduled to close in September 2012, and the East Coast Office will close no earlier than the fourth quarter of 2013. The FDIC will provide transition services to the departing temporary and term employees. In addition, a number of these employees may be hired as permanent staff to complete the FDIC's adjusted core staffing requirements.

The FDIC continued to build workforce flexibility and readiness by increasing its entry-level hiring into the Corporate Employee Program (CEP). The CEP is a multi-year development program designed to cross-train new employees in FDIC major business lines. In 2011, 130 new business line employees (1,012 hired since program inception in 2005) entered this multi-discipline program. The CEP continued to provide a foundation across the full spectrum of the FDIC's business lines, allowing for greater flexibility to respond to changes in the financial services industry and in meeting the FDIC's human capital needs. As in years past, the program continued to provide FDIC flexibility as program participants were called upon to assist with both bank examination and bank closing activities based on the skills they obtained through their program requirements and experiences. As anticipated, participants are also successfully earning their commissioned bank examiner and resolutions and receiverships credentials, having completed their three to four years of specialized training in field offices across the country. The FDIC had approximately 240 commissioned participants by the end of 2011. These individuals are well-prepared to lead examination and resolutions and receiverships activities on behalf of the FDIC.

Corporate Risk Management

In January of 2011, the FDIC Board authorized the creation of an Office of Corporate Risk Management and the recruitment of a Chief Risk Officer (CRO). That position was filled in August of 2011, and the new CRO took a proposal to the Board in December related to the organizational structure of the new Office. The Board subsequently approved this proposal for a small (15 staff) organization that would work with other Divisions and Offices to assess, manage and mitigate risks to the FDIC in the following major areas:

- Open bank risks associated with the FDIC's role as principal regulator of certain financial institutions and the provider of deposit insurance to all insured depository institutions.
- Closed bank risks associated with the FDIC management of risks associated with assets in receivership, including loss share arrangements and limited liability corporations.
- Economic and financial risks which are created for the FDIC and its insured institutions by changes in the macroeconomic and financial environment.
- Policy and regulatory risks arising in the legislative arena and those created by FDIC's own policy initiatives.
- Internal structure and process risks associated with carrying out ongoing FDIC operations, including human resource management, internal controls, and audit work carried out by both OIG and GAO.
- Reputational risk associated with all of the activities of the FDIC as they are perceived by a range of external factors.

The Board also approved the creation of an Enterprise Risk Committee, chaired by the CRO, to replace the existing National Risk Committee and to broaden the mandate of this high level management committee to include both external and internal risks facing the FDIC. This Committee will help enhance senior management's focus on risk, and support the preparation of quarterly reports to the Board on the risk profile of the institution.

Acting Chairman Martin J. Gruenberg, shown here accepting the awards for the first-place ranking and most improved agency on the list of *Best Places to Work in the Federal Government®*, with (from left) Arleas Upton Kea, Ira Kitmacher, Pamela Mergen, and Nancy Hughes.

Employee Engagement

The FDIC continually evaluates its human capital programs and strategies to ensure that it remains an employer of choice and that all of its employees are fully engaged and aligned with the mission. The FDIC uses the Federal Employee Viewpoint Survey mandated by Congress to solicit information from employees. A corporate Culture Change Initiative was instituted in 2008 to address issues resulting from the 2007 survey.

The Culture Change Initiative has continued to gain momentum, and significant progress is being made toward completing the goals identified in the Culture Change Strategic Plan. As evidenced of the progress made under the Culture Change Initiative, the FDIC was recognized in the 2011 "Best Places to Work" rankings as being the most improved federal agency and the overall number one best place to work in the Federal government, based on the results of the 2010 Federal Employee Viewpoint Survey.

Employee Learning and Development

The FDIC has a strong commitment to the learning and development of all employees that is embedded in its core values. Through its learning and development programs, the FDIC creates opportunity, enriches career development, and grows employees and future leaders. New employees can more quickly and thoroughly assume their job functions and assist with examination and resolution activities through the use of innovative learning solutions. To prepare new and existing employees for the challenges ahead, the FDIC has streamlined existing courses, promoted blended learning, and created online, just-in-time toolkits and job aids.

In support of business requirements, the FDIC provided its examiners with several new learning and development opportunities. "High Stakes Communication: Communicating with Resilience in Tough Situations," was created to provide examiners with strategies and examples to enhance their skills in communicating with bank management during board and exit meetings. The video-based course was delivered to all examiners in 2011. The FDIC also increased the length of two of its core

examiner schools, Loan Analysis School and Compliance Management School, to provide more content, instructor feedback, and practice time for application. In addition to developing new training, the FDIC anticipates a 20 percent increase in organic growth for examiner training in 2012.

In support of knowledge and succession management, the FDIC is focused on capturing, maintaining, and documenting best practices and lessons learned from bank closing activity over the past two years. Capturing this information now is strategically important to ensure corporate readiness, while at the same time maintaining effectiveness as experienced employees retire and the temporary positions created to support the closing activity expire. The FDIC maintains its commitment to establish and maintain an effective solution to capture, maintain, and document best practices to help identify and develop future training and learning opportunities.

In 2011, the FDIC provided its employees with approximately 170 instructor-led courses and 1,100 web-based courses to support various mission requirements. Approximately 12,000 instructor-led courses and 17,200 web-based courses were completed.

In 2011, the FDIC received two prestigious awards for its learning and development programs. The Leadership Development Award from the Training Officers Consortium recognized the FDIC's comprehensive leadership development curriculum, which includes learning opportunities for employees at all levels. The Learning Team received the Gold Award from Human Capital Media, recognizing the FDIC's excellence in the design and delivery of employee development programs, including both technical training and leadership development.

Information Technology Management

In today's rapidly changing business environment, technology is frequently the foundation for achieving many FDIC business goals, especially those addressing efficiency and effectiveness in an industry where timely and accurate communication and data are paramount for supervising institutions, resolving institution failures, and monitoring associated risks in the marketplace.

Strengthening the FDIC's Privacy Program

The FDIC has a well-established Privacy Program that works to maintain privacy awareness and promote transparency and public trust. Privacy and the protection of Sensitive Information (SI), such as personally identifiable information (PII), are integral to accomplishing the mission of the FDIC in both the banking industry and among U.S. consumers. The Privacy Program is a critical part of the FDIC's business operations.

In response to the surge in bank closings associated with the crisis, the FDIC completed the third of three in-depth assessments of the bank closing process to identify and address risks to the privacy and security of bank-customer SI. The recommended action items stemming from the third assessment will be incorporated into FDIC's strategic objectives for 2012. In addition, during 2011, the FDIC improved the agency's monitoring of the enterprise network to identify at-risk privacy data and prevent the loss of that information, particularly Social Security numbers. The FDIC proactively conducted unannounced privacy assessments of headquarter offices to assess any potentially unsecured SI. These walk-throughs were instrumental in improving employee and management awareness regarding proper privacy safeguards in the workplace. Further, the FDIC initiated an annual review of the agency's digital library to identify, monitor, reduce, and secure documents containing sensitive data.

As with information security, the banking crisis has resulted in an increased reliance on third-party vendors that process significant amounts of SI in support of bank closings. To ensure this PII is protected in accord with the FDIC's privacy requirements, the agency performed vendor assessments of their controls over this sensitive information. In addition, the FDIC held its annual Privacy Clean-up Day for employees and contractors to reduce the volume of sensitive information held by the agency and therefore reduce the risk to internal and external individuals, and the FDIC. The FDIC also conducted an in-depth review of the FDIC's thirty-two Privacy Act System of Record Notices (SORNs) and provided the results to the FDIC Board of Directors.

IT Support for Regulatory Reform

The FDIC established a program designed to identify IT-related tasks needed to support the implementation of the requirements of Dodd-Frank. As of October 20, 2011, twenty IT-related initiatives supporting Dodd-Frank requirements had been approved by the related IT Steering Committee. Of the approved projects, thirteen have been completed and two are in progress. Additional projects have been identified for 2012 and are being considered under the normal budgeting process.

Establishing a Business Intelligence Service Center

The recent financial crisis has magnified the FDIC's need to collect, validate, aggregate, and analyze data from internal and external sources, and to securely share this information via reports and dashboards with authorized cross-organizational decision makers. As a result, the FDIC established a Business Intelligence Service Center (BISC) to provide expert technical advice and assistance to line of business users in the acquisition, management, and analysis of data from internal and external sources; deliver Business Intelligence (BI) technical solutions, contribute to the enterprise data architecture, and facilitate corporate information sharing and management strategy. Since the BISC group was established in early 2011, the demand for BI project support has increased. Projects being conducted by the FDIC include Strategic Workforce Planning, Large Complex Financial Institutions Liquidity Monitoring and Reporting, Qualified Financial Contracts Analysis, Limited Liability Corporation Data Management, and Risk Share Assessment Management (the Chairman's Dashboard). The BISC team also provides primary technical support for multiple corporate BI tools that support the Executive Resource Information Portal and the Office of Complex Financial Institution's Liquidity Monitoring and Reporting.

2. FINANCIAL HIGHLIGHTS

DEPOSIT INSURANCE FUND PERFORMANCE

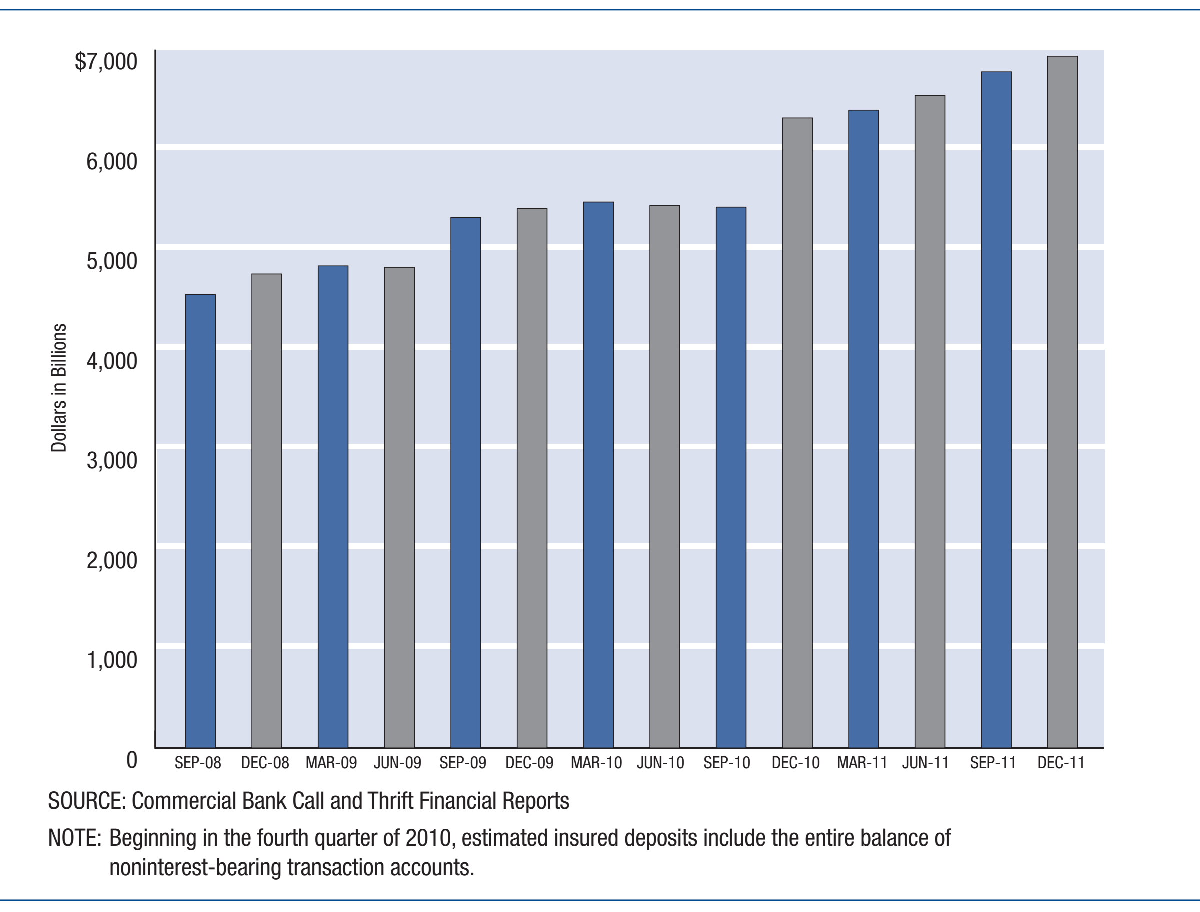
The FDIC administers the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF), which fulfills the obligations of the former Federal Savings and Loan Insurance Corporation (FSLIC) and the former Resolution Trust Corporation (RTC). The following summarizes the condition of the DIF. (See the accompanying graphs on FDIC-Insured Deposits and Insurance Fund Reserve Ratios on the following page.)

For 2011, the DIF's comprehensive income totaled $19.2 billion compared to comprehensive income of $13.5 billion during 2010. This $5.7 billion year-over-year increase was primarily due to a $3.6 billion decrease in the provision for insurance losses and $2.6 billion in revenue from DGP fees previously held as systemic risk deferred revenue, partially offset by a year-to-date net change in the fair value of available-for-sale securities of $284 million (U.S. Treasury obligations and trust preferred securities) and a $112 million decrease in assessments earned.

The provision for insurance losses was negative $4.4 billion for 2011, compared to negative $848 million for 2010. The negative provision for 2011 primarily resulted from a reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail, and a reduction in the estimated losses for institutions that have failed in prior years.

The DIF's total liquidity declined by $3.8 billion, or 8 percent, to $42.4 billion during 2011. The decrease was primarily the result of disbursing $11.9 billion to fund both current and prior years' bank failures during 2011. However, it should be noted that 58 of the 92 current year failures were resolved as cash-conserving shared-loss transactions requiring substantially lower initial resolution payments thus helping to mitigate the decline in DIF's liquidity balance. Moreover, during 2011, the DIF received $8.9 billion in dividends and other payments from its receiverships, which helped to mitigate the DIF liquidity's decline.

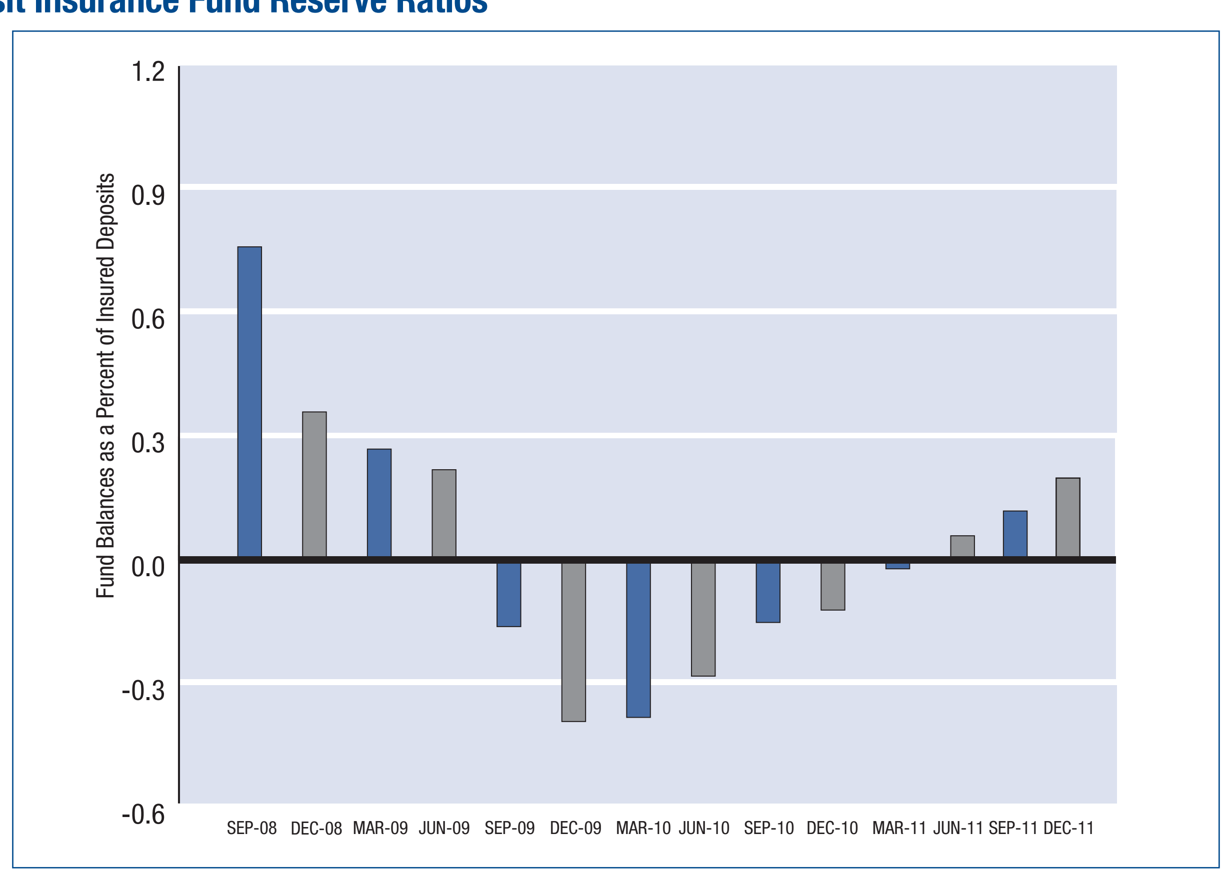
Estimated DIF Insured Deposits



SOURCE: Commercial Bank Call and Thrift Financial Reports

NOTE: Beginning in the fourth quarter of 2010, estimated insured deposits include the entire balance of noninterest-bearing transaction accounts.

Deposit Insurance Fund Reserve Ratios



Deposit Insurance Fund Selected Statistics
DOLLARS IN MILLIONS

	FOR THE YEARS ENDED DECEMBER 31		
	2011	2010	2009
Financial Results			
Revenue	$16,342	$13,380	$24,706
Operating Expenses	1,625	1,593	1,271
Insurance and Other Expenses (includes provision for loss)	(4,541)	(1,518)	59,438
Net Income (Loss)	19,257	13,305	(36,003)
Comprehensive Income (Loss)	19,179	13,510	(38,138)
Insurance Fund Balance	$11,827	$(7,352)	$(20,862)
Fund as a Percentage of Insured Deposits (reserve ratio)	0.17 %	(0.12) %	(0.39) %
Selected Statistics			
Total DIF-Member Institutions[1]	7,357	7,657	8,012
Problem Institutions	813	884	702
Total Assets of Problem Institutions	$319,432	$390,017	$402,782
Institution Failures	92	157	140
Total Assets of Failed Institutions in Year[2]	$34,923	$92,085	$169,709
Number of Active Failed Institution Receiverships	426	336	179

[1] Commercial banks and savings institutions. Does not include U.S. insured branches of foreign banks.

[2] Total Assets data are based upon the last call report filed by the institution prior to failure.

CORPORATE OPERATING BUDGET

The FDIC segregates its corporate operating budget and expenses into two discrete components: ongoing operations and receivership funding. The receivership funding component represents expenses resulting from financial institution failures and is, therefore, largely driven by external forces, while the ongoing operations component accounts for all other operating expenses and tends to be more controllable and estimable. Corporate Operating expenses totaled $2.82 billion in 2011, including $1.55 billion in ongoing operations and $1.27 billion in receivership funding. This represented approximately 93 percent of the approved budget for ongoing operations and 58 percent of the approved budget for receivership funding for the year. (The numbers above in this paragraph will not agree with the DIF and FRF financial statements due to differences in how items are classified.)

The Board of Directors approved a 2012 Corporate Operating Budget of approximately $3.28 billion, consisting of $1.78 billion for ongoing operations and $1.50 billion for receivership funding. The level of 2012 ongoing operations budget is approximately $106 million (6.3 percent) higher than the 2011 ongoing operations budget, while the 2012 receivership funding budget is roughly $702 million (31.9 percent) lower than the 2011 receivership funding budget. Although savings in this area are being realized, the 2012 receivership funding budget

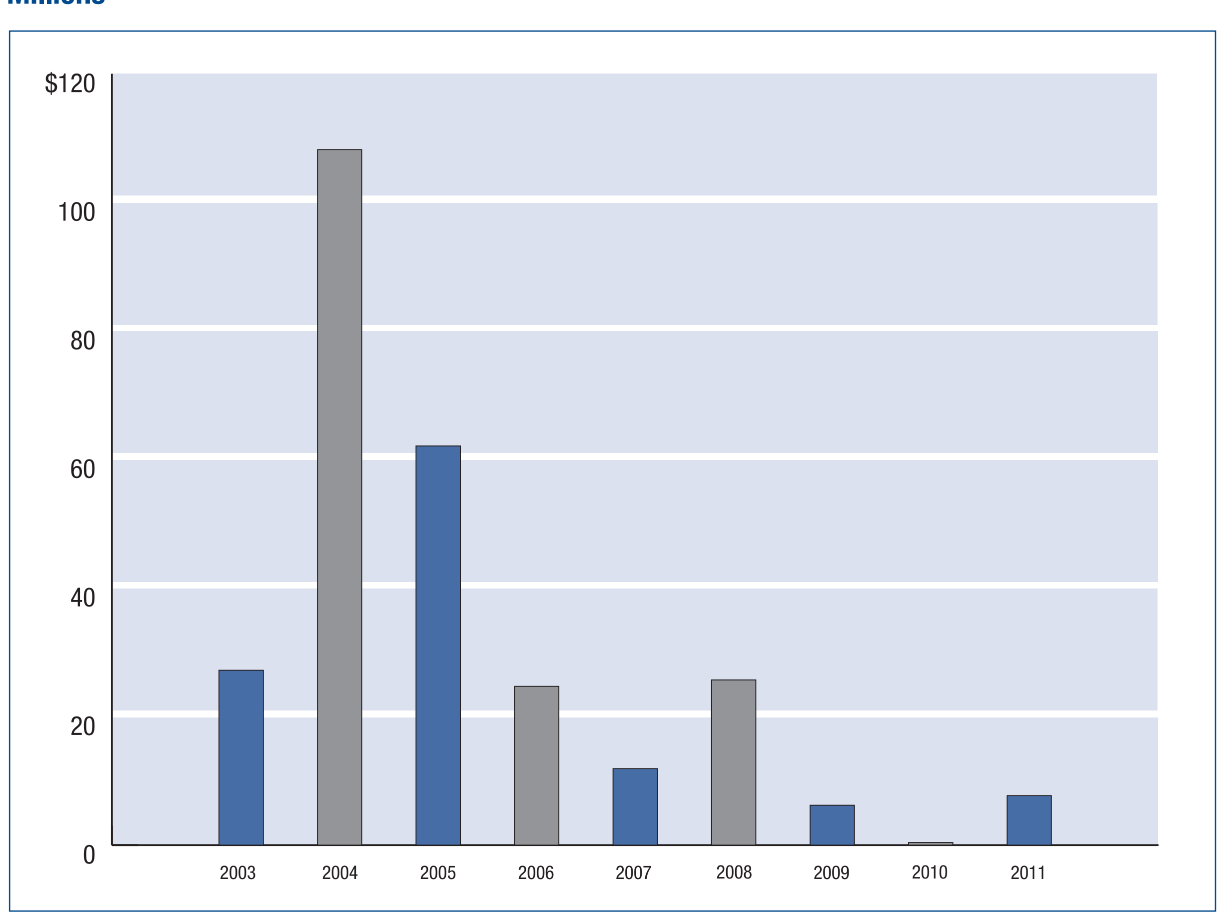
allows for resources for contractor support as well as non-permanent staffing for DRR, the Legal Division, and other organizations should workload in these areas require an immediate response.

INVESTMENT SPENDING

The FDIC instituted a separate Investment Budget in 2003. It has a disciplined process for reviewing proposed new investment projects and managing the construction and implementation of approved projects. Proposed IT projects are carefully reviewed to ensure that they are consistent with the FDIC's enterprise architecture. The project approval and monitoring processes also enable the FDIC to be aware of risks to the major capital investment projects and facilitate appropriate, timely intervention to address these risks throughout the development process. An investment portfolio performance review is provided to the FDIC's Board of Directors quarterly.

The FDIC undertook significant capital investments during the 2003–2011 period, the largest of which was the expansion of its Virginia Square office facility. Other projects involved the development and implementation of major IT systems. Investment spending totaled $274 million during this period, peaking at $108 million in 2004. Spending for investment projects in 2011 totaled approximately $8 million. In 2012, investment spending is estimated at $12 million.

Investment Spending 2003–2011
Dollars in Millions



3. PERFORMANCE RESULTS SUMMARY

SUMMARY OF 2011 PERFORMANCE RESULTS BY PROGRAM

The FDIC successfully achieved 38 of the 43 annual performance targets established in its 2011 Annual Performance Plan. Five targets were deferred to a future date. There were no instances in which 2011 performance had a material adverse effect on the successful achievement of the FDIC's mission or its strategic goals and objectives regarding its major program responsibilities.

Additional key accomplishments are noted below.

Program Area	Performance Results
Insurance	★ Updated the FDIC Board of Directors on loss, income, and reserve ratio projections for the Deposit Insurance Fund at the April and October meetings. ★ Briefed the FDIC Board of Directors in April and October on progress in meeting the goals of the Restoration Plan. Based upon current fund projections, no changes to assessment rate schedules were necessary. ★ Completed reviews of the recent accuracy of the contingent loss reserves. ★ Hosted a risk management symposium, "Don't Bet the Farm: Assessing the Boom in U.S. Farmland Prices" for agricultural lenders and other experts in agricultural finance to discuss risks associated with the escalating price of U.S. farmland during the past decade. ★ Researched and analyzed emerging risks and trends in the banking sector, financial markets, and the overall economy to identify issues affecting the banking industry and the deposit insurance fund. ★ Provided policy research and analysis to FDIC leadership in support of the implementation of financial industry regulation, as well as support for testimony and speeches. ★ Published economic and banking information and analyses through the *FDIC Quarterly*, *FDIC Quarterly Banking Profile (QBP)*, *FDIC State Profiles*, and the Center for Financial Research *Working Papers*.

Program Area	Performance Results
Insurance (continued)	★ Answered 99 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage within 14 days. ★ Operated the Electronic Deposit Insurance Estimator (EDIE), which had 277,000 user sessions in 2011. ★ Amended FDIC's deposit insurance resource materials for consumers and bankers to reflect the changes implemented by Section 627 of Dodd-Frank repealing Federal Reserve Regulation Q by updating: ▶ FDIC's EDIE to reflect the Dodd-Frank Act changes and updated the English and Spanish tutorial for EDIE, ▶ FDIC Overview Video on Deposit Insurance Coverage for consumers and new bank employees, and ▶ FDIC's consumer and banker brochures on deposit insurance coverage. These resources are available on the FDIC's website with the video also available on the FDIC's YouTube channel and downloadable for multimedia applications.

Program Area	Performance Results
Supervision and Consumer Protection	★ Conducted 2,734 Bank Secrecy Act examinations, including required follow-up examinations and visitations. ★ Worked with other federal banking regulators and the Basel Committee on Banking Supervision to develop proposals to strengthen capital and liquidity requirements. ★ Published the *Supervisory Insights* journal to contribute to and promote sound principles and best practices for bank supervision; including a Special Foreclosure Edition that discussed lessons learned from the review of foreclosure practices. ★ Among other releases, issued Financial Institution Letters (FILs) on (1) registering as a municipal advisor under the Securities and Exchange Commission's new rule. In addition, 23 disaster relief FILs were issued; (2) supervisory guidance on the Advanced Measurement Approach; and (3) proposed guidance on stress testing for banking organizations with more than $10 billion in total consolidated assets. ★ Issued an Interim Final Rule regarding resolution plans required for IDIs with $50 billion or more in total assets. ★ Adopted a final rule on resolution plan requirements per section 165 of Dodd-Frank. ★ Began formulating resource plans for resolution of large insured depository institutions in conjunction with the other banking regulatory agencies. ★ Revised the HMDA fair lending screening procedures to provide a broader set of information in support of efforts to identify institutions with significant compliance risks. ★ Developed an award that recognized financial institutions that were instrumental in the development of bank products that provide financial services to low- and moderate-income individuals. ★ Among other releases, issued FILs providing guidance on (1) registration of residential mortgage loan originators; (2) the FDIC's new address for filing consumer complaints; and (3) retail foreign exchange transactions. ★ Conducted a teleconference call for the industry to review and discuss the FDIC's 2010 Overdraft Payment Program Supervisory Guidance, and participated in several industry outreach events to discuss the guidance. ★ Completed the transfer of supervisory responsibility for state-chartered thrifts on July 21, 2011. ★ Transferred ninety-five OTS employees to FDIC on July 21, 2011. ★ Issued the revised Circular 1431.1, "Preparing and Issuing Financial Institution Letters", on March 31, 2011. ★ Completed a review of all recurring questionnaires and information requests to the industry and delivered a written report to the Office of the Chairman on June 30, 2011. Reorganized the external website so that bankers can locate Application, Notices & Filings more easily on the website as well as identify which forms can be completed through FDIC*connect*. The Notification of Performance of Bank Services form is scheduled to be released on FDIC*connect* on December 30, 2011.

Program Area	Performance Results
Receivership Management	★ Completed on-site field work for reviews of 100 percent of the loss share and LLC agreements active as of December 31, 2010, to ensure full compliance with the terms and conditions of the agreements. Reviewed the final review reports and implemented an action plan to address the reports' findings and recommendations for 75 percent of the loss-share reviews and 50 percent of the LLC reviews, including all reviews of agreements totaling more than $1.0 billion (gross book value). ★ Terminated at least 75 percent of new receiverships that are not subject to loss-share agreements, structured sales, or other legal impediments within three years of the date of failure. ★ Made final decisions for 82 percent of all investigated claim areas that were within 18 months of the institution's failure date.

2011 BUDGET AND EXPENDITURES BY PROGRAM

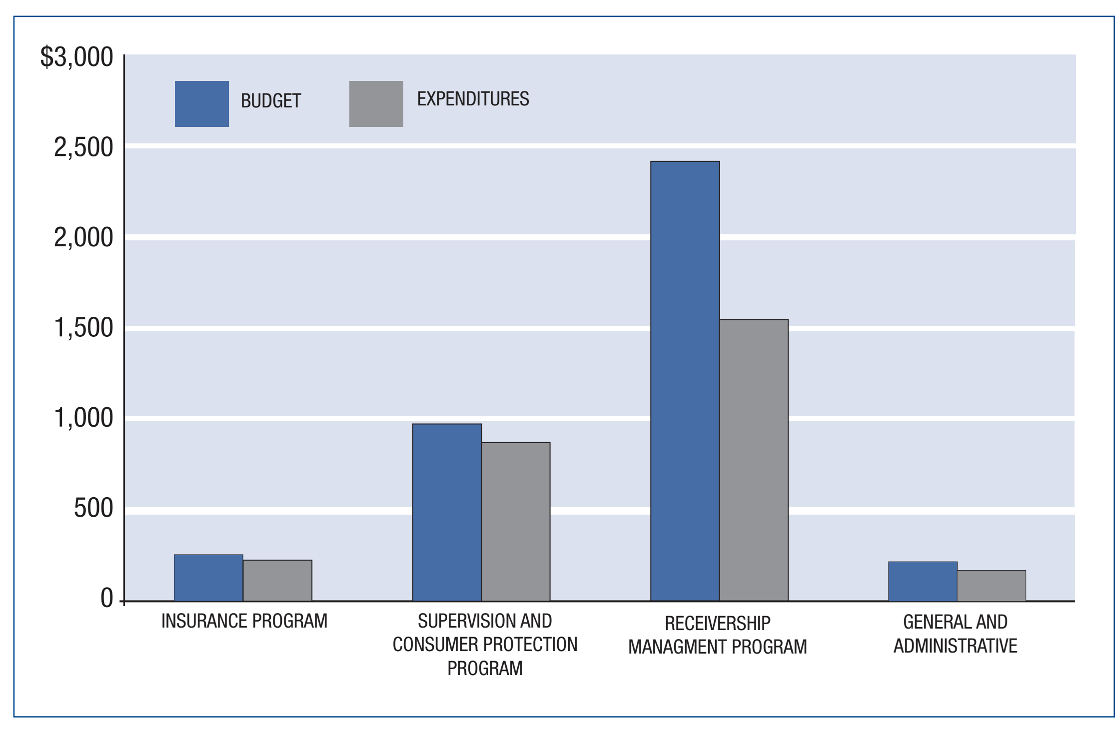
(Excluding Investments)

The FDIC budget for 2011 totaled $3.88 billion. Excluding $213 million, or 6 percent, for Corporate General and Administrative expenditures, budget amounts were allocated to corporate programs as follows: $262 million, or 7 percent, to the Insurance program; $984 million, or 25 percent, to the Supervision and Consumer Protection program; and $2.4 billion, or 62 percent, to the Receivership Management program.

Actual expenditures for the year totaled $2.8 billion. Excluding $167 million, or 6 percent, for Corporate General and Administrative expenditures, actual expenditures were allocated to programs as follows: $234 million, or 8 percent, to the Insurance program; $875 million, or 31 percent, to the Supervision and Consumer Protection program; and $1.5 billion, or 55 percent, to the Receivership Management program.

2011 Budget and Expenditures (Support Allocated)

Dollars in Millions



PERFORMANCE RESULTS BY PROGRAM AND STRATEGIC GOAL

2011 Insurance Program Results

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
1	Respond promptly to all financial institution closings and related emerging issues.	Number of business days after an institution failure that depositors have access to insured funds either through transfer of deposits to the successor insured depository institution or depositor payout.	Depositors have access to insured funds within one business day if the failure occurs on a Friday.	Achieved. See pg. 35.
			Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.	Achieved. See pg. 35.
		Insured depositor losses resulting from a financial institution failure.	There are no depositor losses on insured deposits.	Achieved. See pg. 35.
			No appropriated funds are required to pay insured depositors.	Achieved. See pg. 35.
2	Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders on an ongoing basis.	Scope and timeliness of information dissemination on identified or potential issues and risks.	Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports, and other means.	Achieved. See pg. 49.
			Undertake industry outreach activities to inform bankers and other stakeholders about current trends, concerns, and other available FDIC resources.	Achieved. See pg. 49.
3	Set assessment rates to restore the insurance fund reserve ratio to the statutory minimum of 1.35 percent of estimated insured deposits by September 30, 2020.	Update assessment projections and recommended changes.	Provide updated fund projections to the FDIC Board of Directors by June 30, 2011, and December 31, 2011.	Achieved. See pg. 49.
			Recommend changes to deposit insurance assessment rates for the DIF to the FDIC Board as necessary.	Achieved. See pg. 49.
		Demonstrated progress in achieving the goals of the Restoration Plan.	Provide updates to the FDIC Board by June 30, 2011, and December 31, 2011.	Achieved. See pg. 49.

2011 Insurance Program Results

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
4	Expand and strengthen the FDIC's participation and leadership role in supporting robust international deposit insurance and banking systems.	Scope of information sharing and assistance available to international governmental bank regulatory and deposit insurance entities.	Undertake outreach activities to inform and train foreign bank regulators and deposit insurers.	Achieved. See pgs. 18-21.
			Foster strong relationships with international banking regulators and associations that promote sound banking supervision and regulation, failure resolutions, and deposit insurance practices.	Achieved. See pgs. 18-21.
			Lead the International Association of Deposit Insurers training on the methodology for assessing compliance with implementation of the *Core Principles for Effective Deposit Insurance Systems*.	Achieved. See pg. 19.
5	Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.	Timeliness of responses to deposit insurance coverage inquiries.	Respond within two weeks to 95 percent of written inquires from consumers and bankers about FDIC deposit insurance coverage.	Achieved. See pg. 33.
		Initiatives to increase public awareness of deposit insurance coverage changes.	Conduct at least 12 telephone or in-person seminars for bankers on deposit insurance coverage.	Achieved. See pg. 33.

2011 Supervision and Consumer Protection Program Results

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
1	Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions.	Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy.	Conduct 100 percent of required risk management examinations within the time frames prescribed by statue and FDIC policy.	Achieved. See pg. 21.
2	For all institutions that are assigned a composite Uniform Financial Institutions Rating of 3, 4, or 5, conduct on-site visits within six months after implementation of a corrective program. Ensure during these visits and subsequent examinations that the institution is fulfilling the requirements of the corrective program that has been implemented and that the actions taken are effectively addressing the underlying concerns identified during the examination.	Percentage of follow-up examinations and on-site visits of 3-, 4-, or 5-rated institutions conducted within required time frames.	Conduct 100 percent of required on-site visits within six months after implementation of a corrective program.	Achieved. See pg. 22.

2011 Supervision and Consumer Protection Program Results

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
3	Complete the transfer of personnel and supervisory responsibility for state-chartered thrifts from the Office of Thrift Supervision to the FDIC in accordance with approved plans and statutory requirements.	Transfer of personnel and supervisory responsibility for state-chartered thrifts from OTS to the FDIC.	Complete the transfer of supervisory responsibility for state-chartered thrifts by July 21, 2011.	Achieved. See pg. 51.
			Identify the OTS employees to be transferred and complete the transfer of those employees to the FDIC no later than 90 days after July 21, 2011.	Achieved. See pg. 51.
4	Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering and other financial crimes.	Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy.	Conduct 100 percent of required Bank Secrecy Act examinations within the time frames prescribed by statute and FDIC policy.	Achieved. See pg. 21.

2011 Supervision and Consumer Protection Program Results

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
5	More closely align regulatory capital with risk and ensure that capital is maintained at prudential levels.	Implementation by the federal banking agencies of capital floors for banking organizations in accordance with the requirements of Section 171 of DFA.	Complete by June 30, 2011, the final rule addressing capital floors for banking organizations.	Achieved. See pg. 25.
		Issuance by the federal banking agencies of proposed rules to implement Basel III regulatory capital enhancements.	Complete by September 30, 2011, the Basel III Notice of Proposed Rulemaking (NPR) for the new definition of capital, the July 2009 enhancements to resecuritizations risk weights, and securitization disclosures.	Deferred.
			Complete by September 30, 2011, the Basel NPR for the new leverage ratio.	Deferred.
			Complete by September 30, 2011, the Basel NPR for the new liquidity requirements.	Deferred.
			Complete by December 31, 2011, the final rule on the Market Risk Amendment (includes finalizing alternatives to the use of credit ratings in accordance with DFA requirements).	Deferred.
			Complete by September 30, 2011, the NPR for the Standardized Framework.	Deferred.
6	Identify and address risks in financial institutions designated as systemically important.	Establishment of institution monitoring and resolution planning programs for systemically important institutions.	Establish an ongoing FDIC monitoring program for all covered financial institutions.	Achieved. See pgs. 16-17.
			Complete rulemaking to establish (with the Board of Governors of the Federal Reserve System) criteria for resolution plans to be submitted by systemically important institutions.	Achieved. See pg. 17.

2011 Supervision and Consumer Protection Program Results

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
7	Facilitate more effective regulatory compliance so as to reduce regulatory burden on the banking industry, where appropriate, while maintaining the independence and integrity of the FDIC's risk management and consumer compliance supervisory programs.	Issuance of revised corporate directive.	Issue by March 31, 2011, a revised corporate directive on the issuance of Financial Institution Letters (FILs) that includes a requirement that all FILs contain an informative section as to their applicability to smaller institutions (total assets under $1 billion).	Achieved. See pg. 51.
		Completion of review of recurring questionnaires and information requests.	Complete by June 30, 2011, a review of all recurring questionnaires and information requests to the industry and submit a report to FDIC management with recommendations on improving efficiency and ease of use, including a scheduled plan for implementing these revisions. Carry out approved recommendations in accordance with the plan.	Achieved. See pg. 51.

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
8	Conduct on-site CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions.	Percentage of examinations conducted in accordance with the time frames prescribed by FDIC policy.	Conduct 100 percent of required examinations within the time frames established by FDIC policy.	Achieved. See pgs. 21-22.

2011 Supervision and Consumer Protection Program Results

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
9	Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that receive an overall 3, 4, or 5 rating for compliance with consumer protection and fair lending laws.	Percentage of follow-up examinations or on-site visits of 3-, 4-, and 5-rated institutions conducted within required time frames.	For all institutions that are assigned a compliance rating of 3, 4, or 5, conduct follow-up examinations or on-site visits within 12 months to ensure that each institution is fulfilling the requirements of any corrective programs that have been implemented and that the actions taken are effectively addressing the underlying concerns identified during the examination.	Achieved. See pg. 22.
10	Complete the transfer of personnel and supervisory responsibility for compliance examinations of FDIC supervised institutions with more than $10 billion in assets and their affiliates from the FDIC to the new Consumer Financial Protection Bureau (CFPB) in accordance with statutory requirements.	Transfer from the FDIC to the CFPB of personnel and supervisory responsibility for FDIC-supervised institutions with more than $10 billion in assets and their affiliates.	Complete by July 21, 2011, the transfer of supervisory responsibility from the FDIC to the CFPB.	Achieved. See pg. 33.
			Identify the FDIC employees to be transferred to the CFPB and transfer them in accordance with established time frames.	Achieved. See pg. 33.
11	Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.	Timely responses to written consumer complaints and inquiries.	Respond to 95 percent of written consumer complaints and inquiries within time frames established by policy, with all complaints and inquiries receiving at least an initial acknowledgement within two weeks.	Achieved. See pg. 33.

2011 Supervision and Consumer Protection Program Results

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
12	Establish, in consultation with the FDIC's Advisory Committee on Economic Inclusion and other regulatory agencies, national objectives and methods for reducing the number of unbanked and underbanked individuals.	Completion of initiatives to facilitate progress in improving the engagement of low- and moderate-income individuals with mainstream financial institutions.	Launch the FDIC Model Safe Accounts Pilot, begin data collection on the accounts from banks, and start reporting on results of the pilot.	Achieved. See pg. 28.
			Continue to promote the results of the FDIC Small-Dollar Loan Pilot, and research opportunities for bringing small-dollar lending programs to scale, including exploring a test of employer-based lending using the federal workforce.	Achieved. See pg. 28.
			Engage in efforts to support safe mortgage lending in low- and moderate-income communities.	Achieved. See pg. 28.

2011 Receivership Management Program Results

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
1	Market failing institutions to all known qualified and interested potential bidders.	Scope of qualified and interested bidders solicited.	Contact all known qualified and interested bidders.	Achieved. See pg. 35.
2	Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.	Percentage of the assets marketed for each failed institution.	For at least 95 percent of insured institution failures, market at least 90 percent of the book value of the institution's marketable assets within 90 days of the failure date (for cash sales) or 120 days of the failure date (for structured sales).	Achieved. See pg. 35.
3	Manage the receivership estate and its subsidiaries toward an orderly termination.	Timely termination of new receiverships.	Terminate at least 75 percent of new receiverships that are not subject to loss share agreements, structured sales, or other legal impediments within three years of the date of failure.	Achieved. See pg. 52.
4	Complete reviews of all loss share and Limited Liability Corporation (LLC) agreements to ensure full compliance with the terms and conditions of the agreements.	Percentage of reviews of loss share and LLC agreements completed and action plans implemented.	Complete on-site field work for reviews of 100 percent of the loss share and LLC agreements active as of December 31, 2010, to ensure full compliance with the terms and conditions of the agreements.	Achieved. See pg. 52.
			Review the final report and implement an action plan to address the report's finding and recommendations for 75 percent of the loss share reviews and 50 percent of the LLC reviews, including all reviews of agreements totaling more than $1.0 billion (gross book value).	Achieved. See pg. 52.

2011 Receivership Management Program Results

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

#	ANNUAL PERFORMANCE GOAL	INDICATOR	TARGET	RESULTS
5	Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions, and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.	Percentage of investigated claim areas for which a decision has been made to close or pursue the claim.	For 80 percent of all claim areas, make a decision to close or pursue professional liability claims within 18 months of the failure of an insured depository institution.	Achieved. See pg. 52.

PRIOR YEARS' PERFORMANCE RESULTS

Refer to the respective full Annual Report of prior years for more information on performance results for those years. Minor wording changes may have been made to reflect current goals and targets. (Shaded areas indicate no such target existed for that respective year.)

Insurance Program Results

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
1. Respond promptly to all financial institution closings and related emerging issues.			
Depositors have access to insured funds within one business day if the failure occurs on a Friday.	Achieved.	Achieved.	Achieved.
Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.	Achieved.	Achieved.	Achieved.
Complete rulemaking/review comments received in response to the Advance Notice of Proposed Rulemaking on Large-Bank Deposit Insurance Determination Modernization.			Achieved.
There are no depositor losses on insured deposits.	Achieved.	Achieved.	Achieved.
No appropriated funds are required to pay insured depositors.	Achieved.	Achieved.	Achieved.
2. Identify and address risks to the Deposit Insurance Fund (DIF).			
Assess the insurance risks in large (all for 2008-2009) insured depository institutions and adopt appropriate strategies.		Achieved.	Achieved.
Identify and follow up on all material issues raised through off-site review and analysis.		Achieved.	Achieved.
Identify and analyze existing and emerging areas of risk, including non-traditional and subprime mortgage lending, declines in housing market values, mortgage-related derivatives/collateralized debt obligations (CDOs), hedge fund ownership of insured institutions, commercial real estate lending, international risk, and other financial innovations.		Achieved.	Achieved.
Address potential risks from cross-border banking instability through coordinated review of critical issues and, where appropriate, negotiate agreements with key authorities.			Achieved.
3. Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders.			
Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports, and other means.	Achieved.	Achieved.	Achieved.
Industry outreach activities are undertaken to inform bankers and other stakeholders about current trends, concerns, and other available FDIC resources.	Achieved.	Achieved.	Achieved.

Insurance Program Results

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
4. Effectively administer temporary financial stability programs.			
Provide liquidity to the banking system by guaranteeing noninterest-bearing transaction deposit account and new senior unsecured debt issued by eligible institutions under the TLGP.		Achieved.	
Implement an orderly phase-out of new guarantees under the program when the period for issuance of new debt expires.		Achieved.	
Substantially complete by September 30, 2009, the review of and recommendations to the Department of Treasury on CPP applications from FDIC-supervised institutions.		Achieved.	
Expeditiously implement procedures for the LLP, including the guarantee to be provided for debt issued by Public Private Investment Funds, and provide information to financial institutions and private investors potentially interested in participating.		Achieved.	
Expeditiously implement procedures to review the use of CPP funds, TLGP guarantees, and other resources made available under financial stability programs during examinations of participating FDIC-supervised institutions.		Achieved.	
5. Set assessment rates to restore the insurance fund reserve ratio to the statutory minimum of at least 1.15% of estimated insured deposits by year-end 2016, in accordance with the Amended Restoration Plan.			
Provide updated fund projections to the FDIC Board of Directors by June 30, 2010, and December 31, 2010.	Achieved.		
Recommend deposit insurance assessment rates for the DIF to the FDIC Board as necessary.	Achieved.		
Provide updates to the FDIC Board by June 30, 2010, and December 31, 2010.	Achieved.		
6. Maintain and improve the deposit insurance system.			
Adopt and implement revisions to the pricing regulations that provide for greater risk differentiation among insured depository institutions reflecting both the probability of default and loss in the event of default.		Achieved.	
Revise the guidelines and enhance the additional risk measures used to adjust assessment rates for large institutions.		Achieved.	
Review the effectiveness of the new pricing regulations that were adopted to implement the reform legislation.			Achieved.
Enhance the additional risk measures used to adjust assessment rates for large institutions.			Achieved.
Develop a final rule on a permanent dividend system.			Achieved.

Insurance Program Results

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
Ensure/enhance the effectiveness of the reserving methodology by applying sophisticated analytical techniques to review variances between projected losses and actual losses, and by adjusting the methodology accordingly.		Achieved.	Achieved.
Set assessment rates to maintain the insurance fund reserve ratio between 1.15 and 1.50 percent of estimated insured deposits. Restore to 1.15 percent by year-end 2015.		Achieved.	Not Achieved.
Monitor progress in achieving the restoration plan.		Achieved.	

7. Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
Conduct at least three sets of Deposit Insurance Seminar/teleconferences (per quarter in 2009) for bankers.		Achieved.	Achieved.
Conduct outreach events and activities to support a deposit insurance education program that features the FDIC 75th anniversary theme.			Achieved.
Assess the feasibility of (and if feasible, define the requirements for) a consolidated Electronic Deposit Insurance Estimator (EDIE) application for bankers and consumers (to be developed in 2009).			Achieved.
Respond to 90 percent of inquiries from consumers and bankers about FDIC deposit insurance coverage within time frames established by policy.			Achieved.
Respond to 90 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage within two weeks.		Achieved.	
Enter into deposit insurance education partnerships with consumer organizations to educate consumers.		Achieved.	
Expand avenues for publicizing deposits insurance rules and resources to consumers through a variety of media.		Achieved.	

8. Expand and strengthen the FDIC's participation and leadership role in providing technical guidance, training, consulting services, and information to international governmental banking and deposit insurance organizations; and in supporting robust international deposit insurance systems.

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
Undertake outreach activities to inform and train foreign bank regulators and deposit insurers.	Achieved.	Achieved.	Achieved.
Foster strong relationships with international banking regulators and associations that promote sound banking supervision and regulation, failure resolutions and deposit insurance practices.	Achieved.	Achieved.	Achieved.
Develop methodology for assessing compliance with implementation of the *Core Principles for Effective Deposit Insurance Systems*.	Achieved.		

Supervision and Consumer Protection Program Results

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
1. Conduct on-site risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions.			
One hundred percent of required risk management examinations are conducted on schedule.	Achieved.	Achieved.	Achieved.
2. Take prompt and effective supervisory action to address unresolved problems identified during the FDIC examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of "3", "4", or "5" (problem institution). Monitor FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions.			
One hundred percent of required on-site visits are conducted within six months of completion of the prior examination to confirm that the institution is fulfilling the requirements of the corrective program.	Achieved.		
One hundred percent of follow-up examinations are conducted within 12 months of completion of the prior examination to confirm that identified problems have been corrected.	Achieved.	Achieved.	Achieved.
3. Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering and other financial crimes.			
One hundred percent of required Bank Secrecy Act (BSA) examinations are conducted on schedule.	Achieved	Achieved.	Achieved.
4. More closely align regulatory capital with risk in large or multinational banks while maintaining capital at prudential levels.			
Develop options for refining Basel II that are responsive to lessons learned from the 2007-2008 market turmoil.			Achieved.
Conduct analyses of early results of the performance of new capital rules in light of recent financial turmoil as information becomes available.		Achieved.	Achieved.
Working domestically and internationally, develop improvements to regulatory capital requirements based on the experience of the recent financial market turmoil.		Achieved.	
5. More closely align regulatory capital with risk and ensure that capital is maintained at prudential levels.			
Complete by December 31, 2010, the rulemaking for implementing the Standardized Approach for an appropriate subset of U.S. banks.	Deferred.		
Complete by December 31, 2010, the rulemaking for amending the floors for banks that calculate their risk-based capital requirements under the Advanced Approaches Capital rule to ensure capital requirements meet safety-and-soundness objectives.	Not Achieved.		
Complete by December 31, 2010, the rulemaking for implementing revisions to the Market Risk Amendment of 1996.	Deferred.		

Supervision and Consumer Protection Program Results

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
Complete by December 31, 2010, the rulemaking for implementing revisions to regulatory capital charges for resecuritizations and asset-backed commercial paper liquidity facilities.	Deferred.		
6. More closely align regulatory capital with risk in banks not subject to Basel II capital rules while maintaining capital at prudential levels.			
Finalize a regulatory capital framework based on the Basel II "Standardized Approach" as an option for U.S. banks not required to use the new advanced approaches.			Achieved.
7. Ensure that FDIC-supervised institutions that plan to operate under the new Basel II Capital Accord are well positioned to respond to the new capital requirements.			
Performed on-site examinations or off-site analyses of all FDIC-supervised banks that have indicated a possible intention to operate under Basel II to ensure that they are effectively working toward meeting required qualification standards.			Not Applicable.
8. Reduce regulatory burden on the banking industry while maintaining appropriate consumer protection and safety and soundness safeguards.			
Complete and evaluate options for refining the current risk-focused approach used in the conduct of BSA/AML examinations to reduce the burden they impose on FDIC-supervised institutions.			Achieved.

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
1. Conduct on-site CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions and in accordance with the FDIC's examination frequency policy.			
One hundred percent of required examinations are conducted on schedule.	Achieved.	Achieved.	Achieved.
2. Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that received an overall "3", "4", or "5" rating for compliance with consumer protection and fair lending laws.			
One hundred percent of follow-up examinations or visitations are conducted within 12 months from the date of a formal enforcement action to confirm compliance with the prescribed enforcement action.	Achieved.	Not Achieved.	Achieved.

Supervision and Consumer Protection Program Results

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
3. Determine the need for changes in current FDIC practices for following up on significant violations of consumer compliance laws and regulations identified during examinations of banks for compliance with consumer protection and fair lending laws.			
Complete a review of the effectiveness of the 2007 instructions issued on the handling of repeat instances of significant violations identified during compliance examinations.			Achieved.
4. Scrutinize evolving consumer products, analyze their current or potential impact on consumers and identify potentially harmful or illegal practices. Promptly institute a supervisory response program across FDIC-supervised institutions when such practices are identified.			
Proactively identify and respond to harmful or illegal practices associated with evolving consumer products.		Achieved.	Achieved.
Develop and implement new supervisory response programs across all FDIC-supervised institutions to address potential risks posed by new consumer products.			Achieved.
5. Provide effective outreach related to the CRA, fair lending, and community development.			
Conduct 50 in 2009 (125 in prior years) technical assistance (examination support) efforts or banker/community outreach activities related to CRA, fair lending, and community development.		Achieved.	Achieved.
Evaluate the *Money Smart* initiative and curricula for necessary updates and enhancements, such as games for young people, information on elder financial abuse, and additional language versions, if needed.		Achieved.	
Initiate the longitudinal survey project to measure the effectiveness of the *Money Smart for Young Adults* curriculum.		Achieved.	
Release a "Young Adult" version of the *Money Smart* curriculum.			Achieved.
Distribute at least 10,000 copies of the "Young Adult" version of *Money Smart*.			Achieved.
Analysis of survey results is disseminated within six months of completion of the survey through regular publications, ad hoc reports, and other means.			Achieved.
Provide technical assistance, support, and consumer outreach activities in all six FDIC regions to at least eight local NeighborWorks® America affiliates or local coalitions that are providing foreclosure mitigation counseling in high need areas.		Achieved.	Achieved.

Supervision and Consumer Protection Program Results

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

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
6. Continue to expand the FDIC's national leadership role in development and implementation of programs and strategies to encourage and promote broader economic inclusion within the nation's banking system.			
Expand the number of AEI coalitions by two.		Achieved.	
Analyze quarterly data submitted by participating institutions to identify early trends and potential best practices.		Achieved.	Achieved.
Open 27,000 new bank accounts.			Achieved.
Initiate new small-dollar loan products in 32 financial institutions.			Achieved.
Initiate remittance products in 32 financial institutions.			Achieved.
Reach 18,000 consumers through financial education initiatives.			Achieved.
7. Educate consumers about their rights and responsibilities under consumer protection laws and regulations.			
Expand the use of media, such as the Internet, videos, and MP3 downloads, to disseminate information to the public on their rights and responsibilities as consumers.		Achieved.	
8. Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.			
Responses are provided to 95 percent (90 percent for 2008) of written complaints and inquiries within time frames established by policy, with all complaints and inquiries receiving at least an initial acknowledgment within two weeks.	Achieved.	Achieved.	Achieved.
9. Establish, in consultation with the FDIC's Advisory Committee on Economic Inclusion and other regulatory agencies, national objectives and methods for reducing the number of unbanked and underbanked individuals.			
Facilitate completion of final recommendation on the initiatives identified in the Advisory Committee's strategic plan.	Achieved.		
Implement, or establish plans to implement, Advisory Committee recommendations approved by the FDIC for further action, including new research, demonstration and pilot projects, and new and revised supervisory and public policies.	Achieved.		

Receivership Management Program Results

Strategic Goal: Recovery to creditors of receiverships is achieved.

ANNUAL PERFORMANCE GOALS AND TARGETS	2010	2009	2008
1. Market failing institutions to all known qualified and interested potential bidders.			
Contact all known qualified and interested bidders.	Achieved.	Achieved.	Achieved.
2. Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.			
Ninety percent of the book value of a failed institution's marketable assets is marketed within 90 days of failure.		Achieved.	Achieved.
For at least 95 percent of insured institution failures, market at least 90 percent of the book value of the institution's marketable assets within 90 days of the failure date (for cash sales) or 120 days of the failure date (for structured sales).	Achieved.		
Implement enhanced reporting capabilities from the Automated Procurement System.	Achieved.		
Ensure that all newly designated oversight managers and technical monitors receive training in advance of performing contract administration responsibilities.	Achieved.		
Optimize the effectiveness of oversight managers and technical monitors by restructuring work assignments, providing enhanced technical support, and improving supervision.	Achieved.		
Identify and implement program improvements to ensure efficient and effective management of the contract resources used to perform receivership management functions.		Achieved.	
3. Manage the receivership estate and its subsidiaries toward an orderly termination.			
Terminate all receiverships within 90 days of the resolution of all impediments.			Achieved.
Terminate within three years of the date of failure, at least 75 percent of new receiverships that are not subject to loss-share agreements, structured sales, or other legal impediments.	Achieved.	Achieved.	
4. Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.			
For 80 percent of all claim areas, a decision is made to close or pursue claims within 18 months of the failure date.	Achieved.	Achieved.	Achieved.

4. FINANCIAL STATEMENTS AND NOTES

DEPOSIT INSURANCE FUND (DIF)

Federal Deposit Insurance Corporation
Deposit Insurance Fund Balance Sheet at December 31
DOLLARS IN THOUSANDS

	2011	2010
Assets		
Cash and cash equivalents	$3,277,839	$27,076,606
Cash and investments - restricted - systemic risk (Note 16) *(Includes cash/cash equivalents of $1,627,073 at December 31, 2011 and $5,030,369 at December 31, 2010)*	4,827,319	6,646,968
Investment in U.S. Treasury obligations, net (Note 3)	33,863,245	12,371,268
Trust preferred securities (Note 5)	2,213,231	2,297,818
Assessments receivable, net (Note 9)	282,247	217,893
Receivables and other assets - systemic risk (Note 16)	1,948,151	2,269,422
Interest receivable on investments and other assets, net	488,179	259,683
Receivables from resolutions, net (Note 4)	28,548,396	29,532,545
Property and equipment, net (Note 6)	401,915	416,065
Total Assets	**$75,850,522**	**$81,088,268**
Liabilities		
Accounts payable and other liabilities	$374,164	$514,287
Unearned revenue - prepaid assessments (Note 9)	17,399,828	30,057,033
Liabilities due to resolutions (Note 7)	32,790,512	30,511,877
Debt Guarantee Program liabilities - systemic risk (Note 16)	117,027	29,334
Deferred revenue - systemic risk (Note 16)	6,639,954	9,054,541
Postretirement benefit liability (Note 13)	187,968	165,874
Contingent liabilities for:		
Anticipated failure of insured institutions (Note 8)	6,511,321	17,687,569
Systemic risk (Note 16)	2,216	119,993
Litigation losses (Note 8)	1,000	300,000
Total Liabilities	**64,023,990**	**88,440,508**
Commitments and off-balance-sheet exposure (Note 14)		
Fund Balance		
Accumulated Net Income (Loss)	11,560,990	(7,696,428)
Accumulated Other Comprehensive Income		
Unrealized gain on U.S. Treasury investments, net (Note 3)	47,697	26,698
Unrealized postretirement benefit loss (Note 13)	(33,562)	(18,503)
Unrealized gain on trust preferred securities (Note 5)	251,407	335,993
Total Accumulated Other Comprehensive Income	**265,542**	**344,188**
Total Fund Balance	**11,826,532**	**(7,352,240)**
Total Liabilities and Fund Balance	**$75,850,522**	**$81,088,268**

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

DEPOSIT INSURANCE FUND (DIF)

Federal Deposit Insurance Corporation
Deposit Insurance Fund Statement of Income and Fund Balance for the Years Ended December 31
DOLLARS IN THOUSANDS

	2011	2010
Revenue		
Assessments (Note 9)	$13,498,587	$13,610,436
Interest on U.S. Treasury obligations	127,621	204,871
Systemic risk revenue (Note 16)	(131,141)	(672,818)
Other revenue (Note 10)	2,846,929	237,425
Total Revenue	**16,341,996**	**13,379,914**
Expenses and Losses		
Operating expenses (Note 11)	1,625,351	1,592,641
Systemic risk expenses (Note 16)	(131,141)	(672,818)
Provision for insurance losses (Note 12)	(4,413,629)	(847,843)
Insurance and other expenses	3,996	3,050
Total Expenses and Losses	**(2,915,423)**	**75,030**
Net Income	**19,257,419**	**13,304,884**
Other Comprehensive Income		
Unrealized gain (loss) on U.S. Treasury investments, net	20,999	(115,429)
Unrealized postretirement benefit loss (Note 13)	(15,059)	(15,891)
Unrealized (loss) gain on trust preferred securities (Note 5)	(84,587)	335,993
Total Other Comprehensive (Loss) Income	**(78,647)**	**204,673**
Comprehensive Income	**19,178,772**	**13,509,557**
Fund Balance - Beginning	**(7,352,240)**	**(20,861,797)**
Fund Balance - Ending	**$11,826,532**	**$(7,352,240)**

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

DEPOSIT INSURANCE FUND (DIF)

Federal Deposit Insurance Corporation
Deposit Insurance Fund Statement of Cash Flows for the Years Ended December 31
DOLLARS IN THOUSANDS

	2011	2010
Operating Activities		
Net Income:	**$19,257,419**	**$13,304,884**
Adjustments to reconcile net income to net cash (used by) operating activities:		
Amortization of U.S. Treasury obligations	388,895	(5,149)
Treasury Inflation-Protected Securities inflation adjustment	(25,307)	(23,051)
Depreciation on property and equipment	77,720	68,790
Loss on retirement of property and equipment	1,326	620
Provision for insurance losses	(4,413,629)	(847,843)
Unrealized Loss on postretirement benefits	(15,059)	(15,891)
Change in Operating Assets and Liabilities:		
(Increase) Decrease in assessments receivable, net	(64,354)	62,617
(Increase) in interest receivable and other assets	(227,962)	(34,194)
(Increase) in receivables from resolutions	(5,802,003)	(16,607,671)
Decrease in receivables - systemic risk	321,271	1,029,397
(Decrease) Increase in accounts payable and other liabilities	(140,123)	240,949
Increase in postretirement benefit liability	22,094	20,922
(Decrease) in contingent liabilities - systemic risk	(117,777)	(1,289,957)
(Decrease) in contingent liabilities - litigation losses	(276,000)	0
Increase (Decrease) in liabilities due to resolutions	2,278,635	(4,199,849)
Increase in Debt Guarantee Program liabilities - systemic risk	87,693	27,318
(Decrease) in unearned revenue - prepaid assessments	(12,657,206)	(12,670,068)
(Decrease) Increase in deferred revenue - systemic risk	(2,399,644)	1,203,936
Net Cash (Used by) Operating Activities	**(3,704,011)**	**(19,734,240)**
Investing Activities		
Provided by:		
Maturity of U.S. Treasury obligations	12,976,273	21,558,000
Used by:		
Purchase of property and equipment	(64,896)	(96,659)
Purchase of U.S. Treasury obligations	(36,409,429)	(30,143,138)
Net Cash (Used by) Investing Activities	**(23,498,052)**	**(8,681,797)**
Net (Decrease) in Cash and Cash Equivalents	**(27,202,063)**	**(28,416,037)**
Cash and Cash Equivalents - Beginning	**32,106,975**	**60,523,012**
Unrestricted Cash and Cash Equivalents - Ending	**3,277,839**	**27,076,606**
Restricted Cash and Cash Equivalents - Ending	**1,627,073**	**5,030,369**
Cash and Cash Equivalents - Ending	**$4,904,912**	**$32,106,975**

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

NOTES TO THE FINANCIAL STATEMENTS

DEPOSIT INSURANCE FUND

December 31, 2011 and 2010

1. Legislation and 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 operations of the FDIC are generally found in the Federal Deposit Insurance (FDI) Act, as amended (12 U.S.C. 1811, *et seq*). In carrying out the purposes of 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. Commercial banks, savings banks and savings associations (known as "thrifts") are supervised by either the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve Board.

The FDIC, through administration of the DIF, is responsible for protecting insured bank and thrift depositors from loss due to institution failures. The FDIC is required by section 13 of the FDI Act to resolve troubled institutions in a manner that will result in the least possible cost to the DIF. This section permits an exception if a systemic risk determination demonstrates that compliance with the least-cost test would have serious adverse effects on economic conditions or financial stability and that any action or assistance pursued under the systemic risk determination would avoid or mitigate such adverse effects. A systemic risk determination under this statutory provision can only be triggered by the Secretary of the Treasury, in consultation with the President, and upon the written recommendation of two-thirds of both the FDIC Board of Directors and the Board of Governors of the Federal Reserve System. Until passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) on July 21, 2010 (see "Recent Legislation" below), a systemic risk determination would have permitted open bank assistance to an individual insured depository institution (IDI). As explained below, such open bank assistance is no longer available. The systemic risk provision requires the FDIC to recover any related losses to the DIF through one or more special assessments from all IDIs and, with the concurrence of the Secretary of the Treasury, depository institution holding companies (see Note 16).

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

Pursuant to the enactment of the Dodd-Frank Act, the FDIC is the manager of 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 failing financial company, such as 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). At the commencement of an orderly liquidation of a covered

financial company, the FDIC may borrow funds required by the receivership from the Treasury, up to the Maximum Obligation Limitation for each covered financial company and in accordance with an Orderly Liquidation and Repayment Plan. Borrowings will be repaid to the Treasury with the proceeds of asset sales. If such proceeds are insufficient, any remaining shortfall must be recovered from assessments imposed on financial companies as specified in the Dodd-Frank Act.

RECENT LEGISLATION

The Dodd-Frank Act (Public Law 111-203) provides comprehensive reform of the supervision and regulation of the financial services industry. Under this legislation, the FDIC's responsibilities include 1) liquidating failing systemically important financial firms in an orderly manner as manager of the newly created OLF; 2) issuing regulations, jointly with the Federal Reserve Board (FRB), requiring that nonbank financial companies supervised by the FRB and bank holding companies with assets equal to or exceeding $50 billion provide the FRB, the FDIC, and the Financial Stability Oversight Council (FSOC) a plan for their rapid and orderly resolution in the event of material financial distress or failure; 3) serving as a voting member of the FSOC; 4) undertaking backup examination authority for nonbank financial companies supervised by the FRB and bank holding companies with at least $50 billion in assets; 5) bringing backup enforcement actions against depository institution holding companies if their conduct or threatened conduct poses a risk of loss to the DIF; and 6) providing federal oversight of state-chartered thrifts, beginning upon the transfer of such authority from the Office of Thrift Supervision (which occurred on July 21, 2011).

The Dodd-Frank Act limits the systemic risk determination authority under section 13 of the FDI Act to IDIs for which the FDIC has been appointed receiver. As amended by the Dodd-Frank Act, the FDI Act now requires that any action taken or assistance provided pursuant to a systemic risk determination must be for the purpose of winding up the IDI in receivership. Under Title XI of the Dodd-Frank Act, the FDIC is granted new authority to establish a widely available program to guarantee obligations of solvent IDIs or solvent depository institution holding companies (including affiliates) upon the systemic determination of a liquidity event during times of severe economic distress. This 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 made changes related to the FDIC's deposit insurance mandate. These changes include a permanent increase in the standard deposit insurance amount to $250,000 (retroactive to January 1, 2008) and unlimited deposit insurance coverage for noninterest-bearing transaction accounts for two years, from December 31, 2010, to the end of 2012. Additionally, the legislation changed the assessment base from a deposits-based formula to one based on assets and established new reserve ratio requirements (see Note 9).

OPERATIONS OF THE DIF

The primary purposes of the DIF are to 1) insure the deposits and protect the depositors of IDIs and 2) resolve failed IDIs upon appointment of the FDIC as receiver, in a manner that will result in the least possible cost to the DIF (unless a systemic risk determination is made).

The DIF is primarily funded from deposit insurance assessments. Other available funding sources, if necessary, are borrowings from the Treasury, the Federal Financing Bank (FFB), Federal Home Loan Banks, and IDIs. The FDIC has borrowing authority of $100 billion from the Treasury and a Note Purchase Agreement with the FFB, not to exceed $100 billion, to enhance the DIF's ability to fund both deposit insurance and Temporary Liquidity Guarantee Program (TLGP) obligations.

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 $114.4 billion and $106.3 billion as of December 31, 2011 and 2010, respectively.

OPERATIONS OF RESOLUTION ENTITIES

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receiverships, pass-through conservatorships, and bridge institutions (collectively, resolution entities), and the claims against them, are accounted for separately from DIF assets and liabilities to ensure that proceeds from these entities are distributed in accordance with applicable laws and regulations. Accordingly, income and expenses attributable to resolution entities are accounted for as transactions of those entities. Resolution entities are billed by the FDIC for services provided on their behalf.

2. Summary of Significant Accounting Policies

GENERAL

These financial statements pertain to the financial position, results of operations, and cash flows of the DIF and are presented in conformity with U.S. generally accepted accounting principles (GAAP). As permitted by the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, the FDIC prepares financial statements in conformity with standards promulgated by the Financial Accounting Standards Board (FASB). 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 interests in them. Periodic and final accountability reports of resolution entities are furnished to courts, supervisory authorities, and others upon request.

USE OF ESTIMATES

Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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 (including shared-loss agreements); liabilities due to resolutions; the estimated losses for anticipated failures, litigation, and representations and warranties; guarantee obligations for the TLGP and structured transactions; the valuation of trust preferred securities; and the postretirement benefit obligation.

CASH EQUIVALENTS

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

INVESTMENT IN U.S. TREASURY OBLIGATIONS

DIF funds are required to 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 DIF funds only in U.S. Treasury obligations that are purchased or sold exclusively through the Bureau of the Public Debt's Government Account Series program.

The DIF's investments in U.S. Treasury obligations are classified as available-for-sale. Securities designated as available-for-sale are shown at fair value. Unrealized gains and losses are reported as other comprehensive income. Realized gains and losses are included in the Statement of

Income and Fund Balance as components of net income. Income on securities is calculated and recorded on a daily basis using the effective interest or straight-line method depending on the maturity of the security.

REVENUE RECOGNITION FOR ASSESSMENTS

Assessment revenue is recognized for the quarterly period of insurance coverage based on an estimate. The estimate is derived from an institution's risk-based assessment rate and assessment base for the prior quarter adjusted for the current quarter's available assessment credits, certain changes in supervisory examination ratings for larger institutions, and a modest assessment base growth factor. 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. 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. Personal computer equipment is depreciated on a straight-line basis over a three-year estimated useful life.

REPORTING ON VARIABLE INTEREST ENTITIES

FDIC receiverships engaged in structured transactions, some of which resulted in the issuance of note obligations that were guaranteed by the FDIC in its corporate capacity (see Note 8, Contingent Liabilities for: FDIC Guaranteed Debt of Structured Transactions). As the guarantor of note obligations for several structured transactions, the FDIC in its corporate capacity is the holder of a variable interest in a number of variable interest entities (VIEs). The FDIC conducts a qualitative assessment of its relationship with each VIE as required by Accounting Standards Codification (ASC) Topic 810, *Consolidation*, modified by Accounting Standards Update (ASU) No. 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. These assessments are conducted to determine if the FDIC in its corporate capacity has 1) power to direct the activities that most significantly impact the economic performance of the VIE and 2) an obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. When a variable interest holder has met both of these characteristics, the enterprise is considered the primary beneficiary and must consolidate the VIE. In accordance with the provisions of ASC 810, an assessment of the terms of the legal agreement for each VIE was conducted to determine whether any of the terms had been activated or modified in a manner which would cause the FDIC in its corporate capacity to be characterized as a primary beneficiary. In making that determination, consideration was given to which, if any, activities were significant to each VIE. Often, the right to service collateral, to liquidate collateral, or to unilaterally dissolve the limited liability company (LLC) or trust was determined to be the most significant activity. In other cases, it was determined that the structured transactions did not include such significant activities and that the design of the entity was the best indicator of which party was the primary beneficiary. The results of each analysis identified a party other than the FDIC in its corporate capacity as the primary beneficiary.

The conclusion of these analyses was that the FDIC in its corporate capacity has not engaged in any activity that would cause the FDIC in its corporate capacity to be characterized as a primary beneficiary to any VIE with which it was involved at December 31, 2011 and 2010. Therefore, consolidation is not required for the 2011 and 2010 DIF financial statements. In the future, the FDIC in its corporate capacity may become the primary beneficiary upon the activation of provisional contract rights that

extend to the Corporation if payments are made on guarantee claims. Ongoing analyses will be required in order to monitor consolidation implications under ASC 810.

The FDIC's involvement with VIEs, in its corporate capacity, is fully described in Note 8.

RELATED PARTIES

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

DISCLOSURE ABOUT RECENT RELEVANT ACCOUNTING PRONOUNCEMENTS

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

RECLASSIFICATION

Reclassifications have been made in 2010 financial statements to conform to the presentation used in 2011.

3. Investment in U.S. Treasury Obligations, Net

As of December 31, 2011 and 2010, investments in U.S. Treasury obligations, net, were $33.9 billion and $12.4 billion, respectively. As of December 31, 2011 and 2010, the DIF held $5.0 billion and $2.0 billion, respectively, of Treasury Inflation-Protected Securities (TIPS), which are indexed to increases or decreases in the Consumer Price Index for All Urban Consumers (CPI-U).

Total Investment in U.S. Treasury Obligations, Net at December 31, 2011

DOLLARS IN THOUSANDS

MATURITY	YIELD AT PURCHASE[a]	FACE VALUE	NET CARRYING AMOUNT	UNREALIZED HOLDING GAINS	UNREALIZED HOLDING LOSSES	FAIR VALUE
U.S. Treasury notes and bonds						
Within 1 year	0.27%	$24,500,000[b]	$24,889,547	$17,842	$(93)	$24,907,296
After 1 year through 5 years	0.93%	3,900,000	3,923,428	38,778	0	3,962,206
U.S. Treasury Inflation-Protected Securities						
Within 1 year	0.51%	1,200,000	1,537,664	659	(8)	1,538,315
After 1 year through 5 years	-0.92%	3,050,000	3,464,909	0	(9,481)	3,455,428
Total		**$32,650,000**	**$33,815,548**	**$57,279**	**$(9,582)[c]**	**$33,863,245**

(a) For TIPS, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIPS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 1.8 percent, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2011.

(b) Includes one Treasury note totaling $1.8 billion which matured on Saturday, December 31, 2011. Settlement occurred on the next business day, January 3, 2012.

(c) All unrealized losses occurred as a result of temporary changes in market interest rates. These unrealized losses occurred over a period of less than a year. Unrealized losses related to the TIPS have converted to unrealized gains by January 31, 2012, and unrealized losses related to the U.S. Treasury notes and bonds existed on just one security that matured with no unrealized loss on January 31, 2012, and thus the FDIC does not consider these securities to be other than temporarily impaired at December 31, 2011.

Total Investment in U.S. Treasury Obligations, Net at December 31, 2010

DOLLARS IN THOUSANDS

MATURITY	YIELD AT PURCHASE[a]	FACE VALUE	NET CARRYING AMOUNT	UNREALIZED HOLDING GAINS	UNREALIZED HOLDING LOSSES	FAIR VALUE
U.S. Treasury notes and bonds						
Within 1 year	0.73%	$3,000,000	$3,052,503	$2,048	$(31)	$3,054,520
U.S. Treasury Inflation-Protected Securities						
Within 1 year	3.47%	1,375,955	1,375,967	1,391	0	1,377,358
After 1 year through 5 years	2.41%	615,840	621,412	22,381	0	643,793
U.S. Treasury bills						
Within 1 year	0.19%	7,300,000	7,294,688	909	0	7,295,597
Total		**$12,291,795**	**$12,344,570**	**$26,729**	**$(31)[b]**	**$12,371,268**

(a) For TIPS, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIPS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 1.8 percent, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2010.

(b) All unrealized losses occurred as a result of temporary changes in market interest rates. The unrealized loss on one security occurred over a period of less than a year and converted to an unrealized gain by January 31, 2011, and thus the FDIC does not consider the security to be other than temporarily impaired at December 31, 2010.

4. Receivables from Resolutions, Net

Receivables from Resolutions, Net at December 31
DOLLARS IN THOUSANDS

	2011	2010
Receivables from closed banks	$121,369,428	$115,896,763
Allowance for losses	(92,821,032)	(86,364,218)
Total	**$28,548,396**	**$29,532,545**

The receivables from resolutions include payments made by the DIF to cover obligations to insured depositors (subrogated claims), advances to resolution entities for working capital, and administrative expenses paid on behalf of resolution entities. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Estimated future payments on losses incurred on assets sold to an acquiring institution under a shared-loss agreement (SLA) are factored into the computation of the expected repayment. Assets held by DIF resolution entities (including structured transaction-related assets; see Note 8) are the main source of repayment of the DIF's receivables from resolutions.

As of December 31, 2011, there were 426 active receiverships, including 92 established in 2011. As of December 31, 2011 and 2010, DIF resolution entities held assets with a book value of $71.4 billion and $80.4 billion, respectively (including $50.5 billion and $53.4 billion, respectively of cash, investments, receivables due from the DIF, and other receivables). Ninety-nine percent of the current asset book value of $71.4 billion is held by resolution entities established since 2008.

Estimated cash recoveries from the management and disposition of assets that are used to determine the allowance for losses are based on asset recovery rates from several sources including actual or pending institution-specific asset disposition data, failed institution-specific asset valuation data, aggregate asset valuation data on several recently failed or troubled institutions, sampled asset valuation data, and empirical asset recovery data based on failures as far back as 1990. Methodologies for determining the asset recovery rates incorporate estimating future cash recoveries, net of applicable liquidation cost estimates, and discounting based on market-based risk factors applicable to a given asset's type and quality. The resulting estimated cash recoveries are then used to derive the allowance for loss on the receivables from these resolutions.

For failed institutions resolved using a whole bank purchase and assumption transaction with an accompanying SLA, the projected future shared-loss payments, recoveries, and monitoring costs on the covered assets sold to the acquiring institution under the agreement are considered in determining the allowance for loss on the receivables from these resolutions. The shared-loss cost projections are based on the covered assets' intrinsic value which is determined using financial models that consider the quality, condition and type of covered assets, current and future market conditions, risk factors and estimated asset holding periods. For year-end 2011 financial reporting, the shared-loss cost estimates were updated for the majority (85% or 235) of the 278 active shared-loss agreements; the remaining 43 were already based on recent loss estimates. The updated shared-loss cost projections for the larger agreements were primarily based on new third-party valuations estimating the cumulative loss of covered assets. The remaining agreements were stratified by receivership age. A random sample of banks within each age stratum was selected for new third-party loss estimations, and valuation results from the sample banks were aggregated and extrapolated to banks within the like age stratum based on asset type and performance status.

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

WHOLE BANK PURCHASE AND ASSUMPTION TRANSACTIONS WITH SHARED-LOSS AGREEMENTS

Since the beginning of 2008, the FDIC resolved 281 failures using whole bank purchase and assumption resolution transactions with accompanying SLAs on assets purchased by the financial institution acquirer. The acquirer typically assumes all of the deposits and purchases essentially all of the assets of a failed institution. The majority of the commercial and residential loan assets are purchased under an SLA, where the FDIC agrees to share in future losses and recoveries experienced by the acquirer on those assets covered under the agreement. SLAs are used by the FDIC to keep assets in the private sector and to minimize disruptions to loan customers.

Losses on the covered assets are shared between the acquirer and the FDIC in its receivership capacity of the failed institution when losses occur through the sale, foreclosure, loan modification, or write-down of loans in accordance with the terms of the SLA. The majority of the agreements cover a five- to 10-year period with the receiver covering 80 percent of the losses incurred by the acquirer and the acquiring bank covering 20 percent. Prior to March 26, 2010, most SLAs included a threshold amount, above which the receiver covered 95 percent of the losses incurred by the acquirer. As mentioned above, the estimated shared-loss liability is accounted for by the receiver and is included in the calculation of the DIF's allowance for loss against the corporate receivable from the resolution. As shared-loss claims are asserted and proven, DIF receiverships satisfy these shared-loss payments using available liquidation funds and/or by drawing on amounts due from the DIF for funding the deposits assumed by the acquirer (see Note 7).

As of December 31, 2011, 249 receiverships have made shared-loss payments totaling $16.2 billion. In addition, DIF receiverships are estimated to pay an additional amount of $26.6 billion over the duration of these SLAs on $135.0 billion in total remaining covered assets.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the DIF to concentrations of credit risk are receivables from resolutions. The repayment of the DIF's receivables from resolutions is primarily influenced by recoveries on assets held by DIF receiverships and payments on the covered assets under SLAs. The majority of the $155.9 billion in remaining assets in liquidation ($20.9 billion) and current shared-loss covered assets ($135.0 billion) are concentrated in commercial loans ($83.1 billion), residential loans ($52.5 billion), securities ($3.4 billion), and structured transaction-related assets as described in Note 8 ($14.2 billion). Most of the assets in these asset types originated from failed institutions located in California ($43.7 billion), Florida ($18.1 billion), Illinois ($13.2 billion), Puerto Rico ($13.1 billion), Georgia ($12.8 billion) and Alabama ($12.7 billion).

5. Trust Preferred Securities

Pursuant to a systemic risk determination, the Treasury, the FDIC, and the Federal Reserve Bank of New York executed terms of a guarantee agreement on January 15, 2009 with Citigroup to provide loss protection on a pool of approximately $301.0 billion of assets that remained on the balance sheet of Citigroup. In consideration for its portion of the shared-loss guarantee at inception, the FDIC received $3.025 billion of Citigroup's preferred stock. All shares of the preferred stock were subsequently converted to Citigroup Capital XXXIII trust preferred securities (TruPs) with a liquidation amount of $1,000 per security and a distribution rate of 8 percent per annum payable quarterly. The principal amount is due in 2039.

On December 23, 2009, Citigroup terminated the guarantee agreement, citing improvements in its financial condition. The FDIC incurred no loss from the guarantee prior to the termination of the agreement. In connection with the early termination of the agreement, the FDIC agreed to reduce its portion of the $3.025 billion in TruPs by $800 million. However, pursuant to an agreement between the Treasury and the FDIC, the Treasury agreed to return $800 million in TruPs on behalf of the FDIC from its portion of Citigroup TruPs holdings received as a result of the shared-loss agreement. The FDIC has retained the $800 million of Citigroup TruPs as security in the event payments are required to be made by the DIF for guaranteed debt instruments issued by Citigroup and its affiliates under the TLGP (see Note 16). The FDIC will transfer an aggregate liquidation amount of $800 million in TruPs to the Treasury, plus any related interest, less any payments made or required to be made under the TLGP within five days of the date on which no Citigroup debt remains outstanding under the TLGP. The fair value of these TruPs and related interest are recorded as systemic risk assets (see Note 16).

The remaining $2.225 billion (liquidation amount) of TruPs held by the FDIC is classified as available-for-sale debt securities in accordance with FASB ASC Topic 320, *Investments – Debt and Equity Securities*. At December 31, 2011, the fair value of the TruPs was $2.213 billion (see Note 15). An unrealized holding gain of $251 million is included in accumulated other comprehensive income.

6. Property and Equipment, Net

Property and Equipment, Net at December 31
DOLLARS IN THOUSANDS

	2011	2010
Land	$37,352	$37,352
Buildings (including leasehold improvements)	316,129	312,173
Application software (includes work-in-process)	130,718	122,736
Furniture, fixtures, and equipment	159,120	144,661
Accumulated depreciation	(241,404)	(200,857)
Total	**$401,915**	**$416,065**

The depreciation expense was $78 million and $69 million for 2011 and 2010, respectively.

7. Liabilities Due to Resolutions

As of December 31, 2011 and 2010, the DIF recorded liabilities totaling $32.7 billion and $30.4 billion to resolution entities representing the agreed-upon value of assets transferred from the receiverships, at the time of failure, to the acquirers/bridge institutions for use in funding the deposits assumed by the acquirers/bridge institutions. Ninety-one percent of these liabilities are due to failures resolved under whole-bank purchase and assumption transactions, most with an accompanying SLA. The DIF satisfies these liabilities either by directly sending cash to the receivership to fund shared-loss and other expenses or by offsetting receivables from resolutions when the receivership declares a dividend.

In addition, there was $80 million in unpaid deposit claims related to multiple receiverships as of December 31, 2011 and 2010. The DIF pays these liabilities when the claims are approved.

8. Contingent Liabilities for:

ANTICIPATED FAILURE OF INSURED INSTITUTIONS

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

The banking industry continued recovering in 2011. The industry recorded total net income of $119.5 billion for all of 2011, an increase of nearly 40 percent from 2010 net income. The improvement in industry earnings continued to be driven by declining loan loss provisions, with full-year provisions at their lowest level in four years. At the same time, the pace of U.S. economic growth slowed, unemployment remained at historically high levels, and real estate markets exhibited ongoing weaknesses in many parts of the country. These factors have slowed the improvement in asset quality and contributed to keeping the number of problem institutions and failures well above historic norms. Notwithstanding these challenges, the losses to the DIF from failures that occurred in 2011 fell short of the amount reserved at the end of 2010, as the aggregate number and size of institution failures in 2011 were less than anticipated. The removal from the reserve of banks that did fail in 2011, as well as projected favorable trends in bank supervisory downgrade and failure rates and the smaller size of institutions that remain troubled, all contributed to a decline by $11.2 billion to $6.5 billion in the contingent liability for anticipated failures of insured institutions at the end of 2011.

In addition to these recorded contingent liabilities, the FDIC has identified risk in the financial services industry that could result in additional losses to the DIF should potentially vulnerable insured institutions ultimately fail. As a result of these risks, the FDIC believes that it is reasonably possible that the DIF could incur additional estimated losses of up to $10.2 billion for year-end 2011 as compared to $24.5 billion for year-end 2010. The actual losses, if any, will largely depend on future economic and market conditions and could differ materially from this estimate.

During 2011, 92 banks failed with combined assets at the date of failure of $36.6 billion. Supervisory and market data suggest that while the financial performance of the banking industry should continue to improve over the coming year, ongoing asset quality problems and limited opportunities for earnings growth will continue to result in an elevated level of stress for the industry. The FDIC continues to evaluate the ongoing risks to affected institutions in light of the existing economic and financial conditions, and the extent to which such risks will continue to 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. During 2011, the contingent liability declined by $299 million to $1 million due primarily to a payment of $276 million for a judgment of one legal case for which an allowance was previously recorded. As of December 31, 2011 and 2010, the FDIC has determined that there are no reasonably possible losses from unresolved cases.

OTHER CONTINGENCIES

IndyMac Federal Bank Representation and Indemnification Contingent Liability

On March 19, 2009, the FDIC as receiver of IndyMac Federal Bank (IMFB) and certain subsidiaries (collectively, sellers) sold substantially all of the assets of IMFB and the respective subsidiaries, including mortgage loans and mortgage loan servicing rights, to OneWest Bank and its affiliates. To maximize sale returns, the sellers

made certain representations customarily made by commercial parties regarding the assets and agreed to indemnify the acquirers for losses incurred as a result of breaches of such representations, losses incurred as a result of the failure to obtain contractual counterparty consents to the sale, and third party claims arising from pre-sale acts and omissions of the sellers or the failed bank. Although the representations and indemnifications were made by or are obligations of the sellers, the FDIC, in its corporate capacity, guaranteed the receivership's indemnification obligations under the sale agreements. The representations relate generally to ownership of and right to sell the assets; compliance with applicable law in the origination of the loans; accuracy of the servicing records; validity of loan documents; and servicing of the loans serviced for others. Until the periods for asserting claims under these arrangements have expired and all indemnification claims quantified and paid, losses could continue to be incurred by the receivership and, in turn, the DIF, either directly, as a result of the FDIC corporate guaranty of the receivership's indemnification obligations, or indirectly, as a result of a reduction in the receivership's assets available to pay the DIF's claims as subrogee for insured accountholders. The acquirers' rights to assert claims to recover losses incurred as a result of breaches of loan seller representations extend out to March 19, 2019 for the Fannie Mae and Ginnie Mae reverse mortgage servicing portfolios (unpaid principal balance of $16.7 billion at December 31, 2011 compared to $21.7 billion at December 31, 2010), and March 19, 2014 for the Fannie Mae, Freddie Mac and Ginnie Mae mortgage servicing portfolios (unpaid principal balance of $38.5 billion at December 31, 2011 compared to $45.3 billion at December 31, 2010). The acquirers' rights to assert claims to recover losses incurred as a result of other third party claims (including due to pre-March 19, 2009 acts or omissions) and breaches of servicer representations, including liability with respect to the Fannie Mae, Ginnie Mae and Freddie Mac portfolios as well as the private mortgage servicing portfolio and whole loans (unpaid principal balance of $62.0 billion at December 31, 2011 compared to $74.2 billion at December 31, 2010) expired on March 19, 2011. As of the expiration date of this claim period, notices relating to potential defects were received, but they require review to determine whether a valid defect exists and, if so, the identification and costing of possible cure actions. It is highly unlikely that all of these potential defects will result in losses.

As of December 31, 2011, the IndyMac receivership has paid $5 million in approved claims and has accrued an additional $2 million liability for claims asserted but unpaid. Alleged breaches of origination and servicing representations exist, and review and evaluation is in process for approximately $275 to $345 million in reasonably possible liabilities. In addition, potential losses relating to origination and servicing representations, which currently cannot be determined, may be incurred under other agreements with investors.

The FDIC believes it is likely that additional losses will be incurred, however quantifying the contingent liability associated with the representations and the indemnification obligations is subject to a number of uncertainties, including (1) borrower prepayment speeds; (2) the occurrence of borrower defaults and resulting foreclosures and losses; (3) the assertion by third party investors of claims with respect to loans serviced for them; (4) the existence and timing of discovery of breaches and the assertion of claims for indemnification for losses by the acquirer; (5) the compliance by the acquirer with certain loss mitigation and other conditions to indemnification; (6) third party sources of loss recovery (such as title companies and insurers); (7) the ability of the acquirer to refute claims from investors without incurring reimbursable losses; and (8) the cost to cure breaches and respond to third party claims. Because of these and other uncertainties that surround the liability associated with indemnifications and the quantification of possible losses, the FDIC has determined that, while additional losses are probable, the amount is not estimable.

Purchase and Assumption Indemnification

In connection with purchase and assumption agreements for resolutions, the FDIC in its receivership capacity generally indemnifies the purchaser of a failed institution's assets and liabilities in the event a third party asserts a claim against the purchaser unrelated to the explicit assets purchased or liabilities assumed at the time of failure. The FDIC in its corporate capacity is a secondary guarantor if a receivership is unable to pay. These indemnifications generally extend for a term of six years after the date of institution failure. The FDIC is unable to estimate the maximum potential liability for these types of guarantees as the agreements do not specify a maximum amount and any payments are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. During 2011 and 2010, the FDIC in its corporate capacity made no indemnification payments under such agreements, and no amount has been accrued in the accompanying financial statements with respect to these indemnification guarantees.

FDIC Guaranteed Debt of Structured Transactions

The FDIC as receiver uses three types of structured transactions to dispose of certain performing and non-performing residential mortgage loans, commercial loans, construction loans, and mortgage-backed securities held by the receiverships. The three types of structured transactions are 1) limited liability companies (LLCs), 2) securitizations, and 3) structured sale of guaranteed notes (SSGNs).

LLCs

Under the LLC structure, the FDIC in its receivership capacity contributes a pool of assets to a newly-formed LLC and offers for sale, through a competitive bid process, some of the equity in the LLC. The day-to-day management of the LLC is transferred to the highest bidder along with the purchased equity interest. In many instances, the FDIC in its corporate capacity guarantees notes issued by the LLCs. In exchange for a guarantee, the DIF receives a guarantee fee in either 1) a lump-sum, up-front payment based on the estimated duration of the note or 2) a monthly payment based on a fixed percentage multiplied by the outstanding note balance. The terms of these guarantee agreements generally stipulate that all cash flows received from the entity's collateral be used to pay, in the following order, 1) operational expenses of the entity, 2) the FDIC's contractual guarantee fee, 3) the guaranteed notes (or, if applicable, fund the related defeasance account for payoff of the notes at maturity), and 4) the equity investors. If the FDIC is required to perform under these guarantees, it acquires an interest in the cash flows of the LLC equal to the amount of guarantee payments made plus accrued interest thereon. Once all expenses have been paid, the guaranteed notes have been satisfied, and the FDIC has been reimbursed for any guarantee payments, the equity holders receive any remaining cash flows.

Since 2009, private investors purchased a 40- to 50-percent ownership interest in the LLC structures for $1.6 billion in cash and the LLCs issued notes of $4.4 billion to the receiverships to partially fund the purchase of the assets. The receiverships hold the remaining 50- to 60-percent equity interest in the LLCs and, in most cases, the guaranteed notes. The FDIC in its corporate capacity guarantees the timely payment of principal and interest due on the notes. The terms of the note guarantees extend until the earlier of 1) payment in full of the notes or 2) two years following the maturity date of the notes. The note with the longest term matures in 2020. In the event of note payment default, the FDIC as guarantor is entitled to exercise or cause the exercise of certain rights and remedies including: 1) accelerating the payment of the unpaid principal amount of the notes; 2) selling the assets held as collateral; or 3) foreclosing on the equity interests of the debtor.

Securitizations and SSGNs

Securitizations and SSGNs (collectively, "trusts") are transactions in which certain assets or securities from failed institutions are pooled and transferred into a trust structure. The trusts issue 1) senior and/or subordinated debt instruments and 2) owner trust or residual certificates collateralized by the underlying mortgage-backed securities or loans.

Since 2010, private investors purchased the senior notes issued by the trusts for $5.3 billion in cash. The receiverships hold 100 percent of the subordinated debt instruments and owner trust or residual certificates. The FDIC in its corporate capacity guarantees the timely payment of principal and interest due on the senior notes, the latest maturity of which is 2050. In exchange for the guarantee, the DIF receives a monthly payment based on a fixed percentage multiplied by the outstanding note balance. These guarantee agreements generally stipulate that all cash flows received from the entity's collateral be used to pay, in the following order, 1) operational expenses of the entity, 2) the FDIC's contractual guarantee fee, 3) interest on the guaranteed notes, 4) principal of the guaranteed notes, and 5) the holders of the subordinated notes and owner trust or residual certificates. If the FDIC is required to perform under its guarantees, it acquires an interest in the cash flows of the trust equal to the amount of guarantee payments made plus accrued interest thereon. Once all expenses have been paid, the guaranteed notes have been satisfied, and the FDIC has been reimbursed for any guarantee payments, the subordinated note holders and owner trust or residual certificates holders receive the remaining cash flows.

All Structured Transactions with FDIC Guaranteed Debt

Through December 31, 2011, the receiverships have transferred a portfolio of loans with an unpaid principal balance of $16.4 billion and mortgage-backed securities with a book value of $7.7 billion to 14 LLCs and 8 trusts. The LLCs and trusts subsequently issued notes guaranteed by the FDIC in an original principal amount of $9.7 billion. To date, the DIF has collected guarantee fees totaling $203 million and recorded a receivable for additional guarantee fees of $106 million, included in the "Interest receivable on investments and other assets, net" line item on the Balance Sheet. All guarantee fees are recorded as deferred revenue, included in the "Accounts payable and other liabilities" line item, and recognized as revenue primarily on a straight-line basis over the term of the notes. At December 31, 2011, the amount of deferred revenue recorded was $134 million. The DIF records no other structured-transaction-related assets or liabilities on its balance sheet.

The estimated loss to the DIF from the guarantees is derived from an analysis of the discounted present value of the expected guarantee payments by the FDIC, reimbursements to the FDIC for guarantee payments, and guarantee fee collections. Under both a base case and a more stressful modeling scenario, the cash flows from the LLC or trust assets provide sufficient coverage to fully pay the debts. Therefore, the estimated loss to the DIF from these guarantees is zero. To date, the FDIC in its corporate capacity has not provided, and does not intend to provide, any form of financial or other type of support to a trust or LLC that it was not previously contractually required to provide.

As of December 31, 2011, the maximum loss exposure is $3.7 billion for LLCs and $3.9 billion for trusts, representing the sum of all outstanding debt guaranteed by the FDIC in its corporate capacity. Some transactions have established defeasance accounts to pay off the notes at maturity. A total of $2.2 billion has been deposited into these accounts.

9. Assessments

The Dodd-Frank Act, enacted on July 21, 2010, provides for significant assessment and capitalization reforms for the DIF. In response, the FDIC implemented several changes to the assessment system and developed a comprehensive, long-term fund management plan. The

plan is designed to restore and maintain a positive fund balance for the DIF even during a banking crisis and achieve moderate, steady assessment rates throughout any economic cycle. Summarized below are actions taken to implement assessment system changes and provisions of the comprehensive plan.

NEW RESTORATION PLAN

In October 2010, the FDIC adopted a new Restoration Plan to ensure that the ratio of the DIF fund balance to estimated insured deposits (reserve ratio) reaches 1.35 percent by September 30, 2020. The new Plan provides for the following: 1) the period of the Restoration Plan is extended from the end of 2016 to September 30, 2020; 2) institutions may continue to use assessment credits without additional restriction during the term of the Restoration Plan; 3) the FDIC will pursue rulemaking regarding the method that will be used to offset the effect on small institutions (less than $10 billion in assets) of requiring that the reserve ratio reach 1.35 percent by September 30, 2020, rather than 1.15 percent by the end of 2016; and 4) at least semiannually, the FDIC will update its loss and income projections for the fund and, if needed, increase or decrease assessment rates, following notice-and-comment rulemaking, if required.

DESIGNATED RESERVE RATIO

In December 2011, the FDIC adopted a final rule maintaining the designated reserve ratio (DRR) at 2 percent, effective January 1, 2012. The FDIC views the 2 percent DRR as maintaining the DIF at a level that can withstand substantial losses, consistent with the FDIC's comprehensive, long-term fund management plan.

CALCULATION OF ASSESSMENT

In February 2011, the FDIC adopted a final rule, effective on April 1, 2011, amending part 327 of title 12 of the Code of Federal Regulations to 1) redefine the assessment base used for calculating deposit insurance assessments from adjusted domestic deposits to average consolidated total assets minus average tangible equity (measured as Tier 1 capital); 2) change the assessment rate adjustments; 3) lower the initial base rate schedule and the total base rate schedule for all IDIs to collect approximately the same revenue for the DIF as would have been collected under the old assessment base; 4) suspend dividends indefinitely, and, in lieu of dividends, adopt lower assessment rate schedules when the reserve ratio reaches 1.15 percent, 2 percent, and 2.5 percent; and 5) change the risk-based assessment system for large IDIs (generally, those institutions with at least $10 billion in total assets). Specifically, the final rule eliminates risk categories and the use of long-term debt issuer ratings for large institutions and combines CAMELS ratings and certain forward-looking financial measures into two scorecards: one for most large institutions and another for large institutions that are structurally and operationally complex or that pose unique challenges and risks in case of failure (highly complex institutions).

ASSESSMENT REVENUE

Annual assessment rates averaged approximately 17.6 cents per $100 and 17.7 cents per $100 of the assessment base for the first quarter of 2011 and all of 2010, respectively. Beginning in the second quarter of 2011, the assessment base changed to average total consolidated assets less average tangible equity (with certain adjustments for banker's banks and custodial banks), as required by the Dodd-Frank Act. The FDIC implemented a new assessment rate schedule at the same time to conform to the larger assessment base. The annual assessment rate averaged approximately 11.1 cents per $100 of the assessment base for the last three quarters of 2011.

In December 2009, a majority of IDIs prepaid $45.7 billion of estimated quarterly risk-based assessments to address the DIF's liquidity need to pay for projected near-term failures and to ensure that the deposit insurance system remained industry-funded. The prepaid assessments cover the insurance period from October 2009 through

December 2012. An institution's quarterly risk-based deposit insurance assessment thereafter is offset by the amount prepaid until the amount is exhausted or until June 30, 2013, when any amount remaining is to be returned to the institution. At December 31, 2011, the remaining prepaid amount of $17.4 billion is included in the "Unearned revenue - prepaid assessments" line item on the Balance Sheet.

Prepaid assessments were mandatory for all institutions, but the FDIC exercised its discretion as supervisor and insurer to exempt an institution from the prepayment requirement if the FDIC determined that the prepayment would adversely affect the safety and soundness of the institution.

RESERVE RATIO

As of December 31, 2011, the DIF reserve ratio was 0.17 percent of estimated insured deposits.

ASSESSMENTS RELATED TO FICO

Assessments continue to be levied on institutions for payments of the interest on obligations issued by the Financing Corporation (FICO). The FICO was established as a mixed-ownership government corporation to function solely as a financing vehicle for the former FSLIC. The annual FICO interest obligation of approximately $790 million is paid on a pro rata basis using the same rate for banks and thrifts. The FICO assessment has no financial impact on the DIF and is separate from deposit insurance assessments. The FDIC, as administrator of the DIF, acts solely as a collection agent for the FICO. During 2011 and 2010, approximately $795 million and $796 million, respectively, was collected and remitted to the FICO.

10. Other Revenue

Other Revenue for the Years Ended December 31
DOLLARS IN THOUSANDS

	2011	2010
Temporary Liquidity Guarantee Program revenue (Note 16)	$2,569,579	$0
Dividends and interest on Citigroup trust preferred securities	178,000	177,675
Guarantee fees for structured transactions	92,229	44,557
Other	7,121	15,193
Total	**$2,846,929**	**$237,425**

TEMPORARY LIQUIDITY GUARANTEE PROGRAM REVENUE

Pursuant to a systemic risk determination in October 2008, the FDIC established the TLGP (see Note 16). In exchange for guarantees issued under the TLGP, the FDIC received fees that were set aside, as deferred revenue, for potential TLGP losses. As losses occur, the FDIC recognizes the loss as a systemic risk expense and offsets the loss by recognizing an equivalent portion of the deferred revenue as systemic risk revenue. This accounting practice isolates systemic risk activities from the normal operating activities of the DIF.

From inception of the TLGP, it has been FDIC's policy to recognize revenue to the DIF for any deferred revenue not absorbed by losses upon expiration of the TLGP guarantee period (December 31, 2012) or earlier for any portion of guarantee fees determined in excess of amounts needed to cover potential losses. During 2011, the DIF recognized revenue of $2.6 billion for fees held as deferred revenue (see Note 16). In the unforeseen event a debt default occurs greater than the remaining amount held as deferred revenue, to the extent needed, any amount

previously recognized as revenue to the DIF will be returned to the TLGP.

11. Operating Expenses

Operating expenses were $1.6 billion for both 2011 and 2010. The chart below lists the major components of operating expenses.

Operating Expenses for the Years Ended December 31
DOLLARS IN THOUSANDS

	2011	2010
Salaries and benefits	$1,320,991	$1,184,523
Outside services	342,502	360,880
Travel	115,135	111,110
Buildings and leased space	93,630	85,137
Software/Hardware maintenance	58,981	50,575
Depreciation of property and equipment	77,720	68,790
Other	46,652	35,142
Subtotal	**2,055,611**	**1,896,157**
Services billed to resolution entities	(430,260)	(303,516)
Total	**$1,625,351**	**$1,592,641**

12. Provision for Insurance Losses

Provision for insurance losses was negative $4.4 billion for 2011, compared to negative $848 million for 2010. The negative provision for 2011 primarily resulted from a reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail and a reduction in the estimated losses for institutions that have failed in prior years. The following chart lists the major components of the provision for insurance losses.

Provision for Insurance Losses for the Years Ended December 31
DOLLARS IN THOUSANDS

	2011	2010
Valuation Adjustments		
Closed banks and thrifts	$6,786,643	$25,483,252
Other assets	(1,024)	(4,406)
Total Valuation Adjustments	**6,785,619**	**25,478,846**
Contingent Liabilities Adjustments		
Anticipated failure of insured institutions	(11,176,248)	(26,326,689)
Litigation	(23,000)	0
Total Contingent Liabilities Adjustments	**(11,199,248)**	**(26,326,689)**
Total	**$(4,413,629)**	**$(847,843)**

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).

Eligible FDIC employees also may participate in a FDIC-sponsored tax-deferred 401(k) savings plan with matching contributions up to 5 percent. 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.

Pension Benefits and Savings Plans Expenses for the Years Ended December 31
DOLLARS IN THOUSANDS

	2011	2010
Civil Service Retirement System	$6,140	$6,387
Federal Employees Retirement System (Basic Benefit)	95,846	78,666
FDIC Savings Plan	36,645	30,825
Federal Thrift Savings Plan	33,910	28,679
Total	**$172,541**	**$144,557**

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

The FDIC provides certain life and dental insurance coverage for its eligible retirees, the retirees' beneficiaries, and covered dependents. Retirees eligible for life and dental insurance coverage are those who have qualified due to 1) immediate enrollment upon appointment or five years of participation in the plan and 2) eligibility for an immediate annuity. The life insurance program provides basic coverage at no cost to retirees and allows converting optional coverage to direct-pay plans. For the dental coverage, retirees are responsible for a portion of the dental 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. At December 31, 2011 and 2010, the liability was $188 million and $166 million, respectively, which is recognized in the "Postretirement benefit liability" line item on the Balance Sheet. The cumulative actuarial losses (changes in assumptions and plan experience) and prior service costs (changes to plan provisions that increase benefits) were $34 million and $19 million at December 31, 2011 and 2010, respectively. These amounts are reported as accumulated other comprehensive income in the "Unrealized postretirement benefit loss" line item on the Balance Sheet.

The DIF's expenses for postretirement benefits for 2011 and 2010 were $12 million and $9 million, respectively, which are included in the current and prior year's operating expenses on the Statement of Income and Fund Balance. The changes in the actuarial losses and prior service costs for 2011 and 2010 of $15 million and $16 million, respectively, are reported as other comprehensive income in the "Unrealized postretirement benefit loss" line item. Key actuarial assumptions used in the accounting for the plan include the discount rate of 4.5 percent, the rate of compensation increase of 4.1 percent, and the dental coverage trend rate of 6.0 percent. The discount rate of 4.5 percent is based upon rates of return on high-quality fixed income investments whose cash flows match the timing and amount of expected benefit payments.

14. Commitments and Off-Balance-Sheet Exposure

COMMITMENTS:

Leased Space

The FDIC's lease commitments total $199 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The DIF recognized leased space expense of $56 million and $45 million for the years ended December 31, 2011 and 2010, respectively.

Leased Space Commitments
DOLLARS IN THOUSANDS

2012	2013	2014	2015	2016	2017/ THEREAFTER
$52,773	$44,950	$32,294	$25,807	$22,679	$20,918

OFF-BALANCE-SHEET EXPOSURE:

Deposit Insurance

As of December 31, 2011, estimated insured deposits for the DIF were $7.0 trillion. This estimate is derived primarily from quarterly financial data submitted by IDIs to the FDIC. This estimate represents the accounting loss that would be realized if all IDIs were to fail and the acquired assets provided no recoveries. Included in this estimate was approximately $1.4 trillion of noninterest-bearing transaction deposits that exceeded the basic coverage limit of $250,000 per account, which received coverage under the Dodd-Frank Act beginning on December 31, 2010 to the end of 2012.

15. Disclosures About the Fair Value of Financial Instruments

Financial assets recognized and measured at fair value on a recurring basis at each reporting date include cash equivalents (Note 2), the investment in U.S. Treasury obligations (Note 3) and trust preferred securities (Note 5). The following tables present the DIF's financial assets measured at fair value as of December 31, 2011 and 2010.

Assets Measured at Fair Value at December 31, 2011
DOLLARS IN THOUSANDS

	Fair Value Measurements Using			
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL ASSETS AT FAIR VALUE
Assets				
Cash equivalents[1]	$3,266,631			$3,266,631
Available-for-Sale Debt Securities				
Investment in U.S. Treasury obligations[2]	33,863,245			33,863,245
Trust preferred securities		$2,213,231		2,213,231
Trust preferred securities held for UST (Note 16)		795,769		795,769
Total Assets	**$37,129,876**	**$3,009,000**	**$0**	**$40,138,876**

(1) Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the U.S. Bureau of Public Debt.

(2) The investment in U.S. Treasury obligations is measured based on prevailing market yields for federal government entities.

In exchange for prior shared-loss guarantee coverage provided to Citigroup, the FDIC and the Treasury received TruPs (see Note 5). At December 31, 2011, the fair value of the securities in the amount of $3.009 billion was classified as a Level 2 measurement based on an FDIC-developed model using observable market data for traded Citigroup securities to determine the expected present value of future cash flows. Key inputs include market yields on U.S. dollar interest rate swaps and discount rates for default, call, and liquidity risks that are derived from traded Citigroup securities and modeled pricing relationships.

Assets Measured at Fair Value at December 31, 2010

DOLLARS IN THOUSANDS

	Fair Value Measurements Using			
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL ASSETS AT FAIR VALUE
Assets				
Cash equivalents[1]	$27,083,918			$27,083,918
Available-for-Sale Debt Securities				
Investment in U.S. Treasury obligations[2]	12,371,268			12,371,268
Trust preferred securities		$2,297,818		2,297,818
Trust preferred securities held for UST (Note 16)		826,182		826,182
Total Assets	**$39,455,186**	**$3,124,000**	**$0**	**$42,579,186**

(1) Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the U.S. Bureau of Public Debt.

(2) The investment in U.S. Treasury obligations is measured based on prevailing market yields for federal government entities.

Some of the DIF's financial assets and liabilities are not recognized at fair value but are recorded at amounts that approximate fair value due to their short maturities and/or comparability with current interest rates. Such items include interest receivable on investments, assessments receivable, other short-term receivables, accounts payable, and other liabilities.

The net receivables from resolutions primarily include the DIF's subrogated claim arising from obligations to insured depositors. The resolution entity assets that will ultimately be used to pay the corporate subrogated claim are valued using discount rates that include consideration of market risk. These discounts ultimately affect the DIF's allowance for loss against the receivables from resolutions. Therefore, the corporate subrogated claim indirectly includes the effect of discounting and should not be viewed as being stated in terms of nominal cash flows.

Although the value of the corporate subrogated claim is influenced by valuation of resolution entity assets (see Note 4), such valuation is not equivalent to the valuation of the corporate claim. Since the corporate claim is unique, not intended for sale to the private sector, and has no established market, it is not practicable to estimate a fair value.

The FDIC believes that a sale to the private sector of the corporate claim would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. In addition, the timing of resolution entity payments to the DIF on the subrogated claim does not necessarily correspond with the timing of collections on resolution entity assets. Therefore, the effect of discounting used by resolution entities should not necessarily be viewed as producing an estimate of fair value for the net receivables from resolutions.

There is no readily available market for guarantees associated with systemic risk (see Note 16).

16. Systemic Risk Transactions

Pursuant to a systemic risk determination, the FDIC established the TLGP for IDIs, designated affiliates and certain holding companies on October 14, 2008, in an effort to counter the system-wide crisis in the nation's financial sector. The program is codified in part 370 of title 12 of the Code of Federal Regulations.

The FDIC received fees in exchange for guarantees issued under the TLGP and set aside, as deferred revenue, all fees for potential TLGP losses. At inception of the guarantees, the DIF recognized a liability for the non-contingent fair value of the obligation the FDIC assumed over the term of the guarantees. In accordance with FASB ASC 460, *Guarantees*, this non-contingent liability was measured at the amount of consideration received in exchange for issuing the guarantee. As systemic risk expenses are incurred, the DIF will reduce deferred revenue and recognize an offsetting amount as systemic risk revenue. Not later than the end of the guarantee period (December 31, 2012), any deferred revenue not absorbed by losses during the guarantee period will be recognized as revenue to the DIF.

At its inception, the TLGP consisted of two components: 1) the Transaction Account Guarantee Program (TAG) and 2) the Debt Guarantee Program (DGP). The TAG provided unlimited coverage for noninterest-bearing transaction accounts held by IDIs on all deposit amounts exceeding the fully insured limit of $250,000 through December 31, 2010. During its existence, the FDIC collected TAG fees of $1.2 billion. Total subrogated claims arising from obligations to depositors with noninterest-bearing transaction accounts were $8.8 billion, with estimated losses of $2.2 billion.

The DGP permitted participating entities to issue FDIC-guaranteed senior unsecured debt through October 31, 2009. The FDIC's guarantee for all such debt expires on the earliest of the conversion date for mandatory convertible debt, the stated date of maturity, or December 31, 2012. Through the end of the debt issuance period,

the DIF collected $8.3 billion of guarantee fees and fees of $1.2 billion from participating entities that elected to issue senior unsecured non-guaranteed debt. The fees are included in the "Cash and investments - restricted - systemic risk" line item and recognized as "Deferred revenue - systemic risk" on the Balance Sheet.

Additionally, the FDIC holds $800 million (liquidation amount) of Citigroup TruPs on behalf of the Treasury (and any related interest) as security in the event payments are required to be made by the DIF for guaranteed debt instruments issued by Citigroup or any of its affiliates under the TLGP (see Note 5). At December 31, 2011, the fair value of these securities totaled $796 million, and was determined using the valuation methodology described in Note 15 for other Citigroup TruPs held by the DIF. There is an offsetting liability in the "Deferred revenue -systemic risk" line item, representing amounts to be transferred to the Treasury or, if necessary, paid for guaranteed debt instruments issued by Citigroup or its affiliates under the TLGP. Consequently, there is no impact on the fund balance of the DIF.

The FDIC's payment obligation under the DGP is triggered by a payment default. In the event of default, the FDIC will continue to make scheduled principal and interest payments under the terms of the debt instrument through its maturity, or in the case of mandatory convertible debt, through the mandatory conversion date. The debtholder or representative must assign to the FDIC the right to receive any and all distributions on the guaranteed debt from any insolvency proceeding, including the proceeds of any receivership or bankruptcy estate, to the extent of payments made under the guarantee.

Since inception of the program, $618.0 billion in total guaranteed debt has been issued. Through December 31, 2011, the FDIC has paid $35 million in claims for principal and/or interest arising from the default of guaranteed debt obligations of six debt issuers. Fifty-nine financial entities (33 IDIs and 26 affiliates and holding companies) had $167.4 billion in guaranteed debt outstanding at December 31, 2011. This compares to $267.1 billion in guaranteed debt outstanding at December 31, 2010. Reported outstanding debt is derived from data submitted by debt issuers.

At December 31, 2011, the DIF recognized a liability of $117 million for debt guarantee obligations that were paid in early 2012 as scheduled under the terms of the debt instruments. This liability is presented in the "Debt Guarantee Program liabilities – systemic risk" line item. The DIF has also recorded a contingent liability of $2 million in the "Contingent liability for systemic risk" line item for probable additional guaranteed debt obligations. The FDIC believes that it is also reasonably possible that additional estimated losses of approximately $93 million could be incurred under the DGP.

The DIF may recognize revenue before the end of the guarantee period for the portion of guarantee fees that was determined to exceed amounts needed to cover potential losses. During 2011, the DIF recognized revenue of $2.6 billion for a portion of DGP guarantee fees previously held as systemic risk deferred revenue (see Note 10). The $2.6 billion relates to fees on debt guarantees that have expired. In addition, the DIF transferred an equal amount of "Cash and investments - restricted - systemic risk" to the DIF's cash and investments. In the unforeseen event a debt default occurs greater than the remaining amount held as deferred revenue, to the extent needed, any amount previously recognized as revenue to the DIF will be returned to the TLGP.

Because of uncertainties surrounding the outlook for the economy and financial markets, there remains a possibility that the TLGP could incur a loss that would absorb some or all of the remaining guarantee fees. Therefore, it is appropriate to continue the practice of deferring revenue recognition for the remaining $5.7 billion of "Deferred revenue - systemic risk" (which excludes the liability of $925 million to Treasury for the fair value and related interest of the Citigroup TruPs).

Systemic Risk Activity at December 31, 2011

DOLLARS IN THOUSANDS

	CASH AND INVESTMENTS - RESTRICTED - SYSTEMIC RISK[1]	RECEIVABLES AND OTHER ASSETS - SYSTEMIC RISK	DEFERRED REVENUE - SYSTEMIC RISK	DEBT GUARANTEE PROGRAM LIABILITIES - SYSTEMIC RISK	CONTINGENT LIABILITY - SYSTEMIC RISK	REVENUE/ EXPENSES - SYSTEMIC RISK
Balance at 01-01-11	$6,646,968	$2,269,422	$(9,054,541)	$(29,334)	$(119,993)	
TAG fees collected	41,419	(50,235)	8,816			
DGP assessments collected	3		(3)			
Receivable for TAG fees						
Receivable for TAG accounts at failed institutions		(424,628)				
Dividends and overnight interest on TruPs held for UST		64,029	(64,029)			
Fair value adjustment on TruPs held for UST		(30,413)	30,413			
Estimated losses for TAG accounts at failed institutions		119,976	(119,976)			$(119,976)
Realized losses not yet paid			117,027	(87,693)		87,693
Provision for DGP losses			(147,111)		117,777	(117,777)
Guaranteed debt obligations paid	(27,433)		27,433			27,433
Transfer of excess TLGP funds to the DIF	(2,569,579)		2,569,579			
U.S. investment interest collected	66,640		(66,640)			
Interest receivable on U.S. Treasury obligations	55,880		(55,880)			
Amortization of U.S. Treasury obligations	(71,262)		71,262			
Accrued interest purchased	(43,983)		43,983			
Unrealized gain on U.S. Treasury obligations	439		(439)			
TLGP operating expenses			152			(8,514)
Receipts of receivership's dividends	728,227					
Totals	**$4,827,319**	**$1,948,151**	**$(6,639,954)**	**$(117,027)**	**$(2,216)**	**$(131,141)**

(1) As of December 31, 2011, the fair value of investments in U.S. Treasury obligations held by TLGP was $3.1 billion. An unrealized gain of $439 thousand is reported in the "Deferred revenue - systemic risk" line item.

17. Subsequent Events

Subsequent events have been evaluated through April 11, 2012, the date the financial statements are available to be issued.

2012 FAILURES THROUGH APRIL 11, 2012

Through April 11, 2012, 16 insured institutions failed in 2012 with total losses to the DIF estimated to be $1.3 billion.

FSLIC RESOLUTION FUND (FRF)

Federal Deposit Insurance Corporation
FSLIC Resolution Fund Balance Sheet at December 31
DOLLARS IN THOUSANDS

	2011	2010
Assets		
Cash and cash equivalents	$3,533,410	$3,547,907
Receivables from thrift resolutions and other assets, net (Note 3)	65,163	23,408
Receivables from U.S. Treasury for goodwill litigation (Note 4)	356,455	323,495
Total Assets	**$3,955,028**	**$3,894,810**
Liabilities		
Accounts payable and other liabilities	$3,544	$2,990
Contingent liabilities for goodwill litigation (Note 4)	356,455	323,495
Total Liabilities	**359,999**	**326,485**
Resolution Equity (Note 5)		
Contributed capital	127,875,656	127,792,696
Accumulated deficit	(124,280,627)	(124,224,371)
Total Resolution Equity	**3,595,029**	**3,568,325**
Total Liabilities and Resolution Equity	**$3,955,028**	**$3,894,810**

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

FSLIC RESOLUTION FUND (FRF)

Federal Deposit Insurance Corporation FSLIC Resolution Fund Statement of Income and Accumulated Deficit for the Years Ended December 31 DOLLARS IN THOUSANDS		
	2011	2010
Revenue		
Interest on U.S. Treasury obligations	$1,361	$3,876
Other revenue	3,257	9,393
Total Revenue	**4,618**	**13,269**
Expenses and Losses		
Operating expenses	4,660	3,832
Provision for losses	(8,578)	(945)
Goodwill litigation expenses (Note 4)	82,960	(53,266)
Recovery of tax benefits	(18,373)	(63,256)
Other expenses	205	3,070
Total Expenses and Losses	**60,874**	**(110,565)**
Net (Loss) Income	**(56,256)**	**123,834**
Accumulated Deficit - Beginning	**(124,224,371)**	**(124,348,205)**
Accumulated Deficit - Ending	**$(124,280,627)**	**$(124,224,371)**

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

FSLIC RESOLUTION FUND (FRF)

Federal Deposit Insurance Corporation
FSLIC Resolution Fund Statement of Cash Flows for the Years Ended December 31
DOLLARS IN THOUSANDS

	2011	2010
Operating Activities		
Net (Loss) Income	**$(56,256)**	**$123,834**
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:		
Provision for losses	(8,578)	(945)
Change in Operating Assets and Liabilities:		
(Increase) Decrease in receivables from thrift resolutions and other assets	(33,177)	9,875
Increase in accounts payable and other liabilities	554	18
Increase (Decrease) in contingent liabilities for goodwill litigation	32,960	(81,917)
Net Cash (Used) Provided by Operating Activities	**(64,497)**	**50,865**
Financing Activities		
Provided by:		
U.S. Treasury payments for goodwill litigation (Note 4)	50,000	26,917
Net Cash Provided by Financing Activities	**50,000**	**26,917**
Net (Decrease) Increase in Cash and Cash Equivalents	**(14,497)**	**77,782**
Cash and Cash Equivalents - Beginning	**3,547,907**	**3,470,125**
Cash and Cash Equivalents - Ending	**$3,533,410**	**$3,547,907**

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

NOTES TO THE FINANCIAL STATEMENTS

FSLIC RESOLUTION FUND

December 31, 2011 and 2010

1. Legislative History and Operations/Dissolution of the FSLIC Resolution Fund

LEGISLATIVE HISTORY

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 operations of the FDIC are generally found in the Federal Deposit Insurance (FDI) Act, as amended (12 U.S.C. 1811, *et seq*). In carrying out the purposes of 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. Commercial banks, savings banks and savings associations (known as "thrifts") are supervised by either the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve Board. In addition, the FDIC, through administration of the FSLIC Resolution Fund (FRF), is responsible for the sale of remaining assets and satisfaction of liabilities associated with the former Federal Savings and Loan Insurance Corporation (FSLIC) and the former Resolution Trust Corporation (RTC). The DIF and the FRF are maintained separately by the FDIC to support their respective mandates.

The U.S. Congress created the FSLIC 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, created the FRF, and transferred the assets and liabilities of the FSLIC to the FRF-except those assets and liabilities transferred to the RTC-effective on August 9, 1989. Further, the FIRREA established the Resolution Funding Corporation (REFCORP) to provide part of the initial funds used by the RTC for thrift resolutions.

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

OPERATIONS/DISSOLUTION OF THE FRF

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

The FDIC has conducted an extensive review and cataloging of FRF's remaining assets and liabilities. Some of the issues and items that remain open in FRF are 1) criminal restitution orders (generally have from 1 to 12 years remaining to enforce); 2) collections of settlements and judgments obtained against officers and directors and other professionals responsible for

causing or contributing to thrift losses (generally have from 2 months to 7 years remaining to enforce, unless the judgments are renewed, which will result in significantly longer periods for collection for some judgments); 3) a few assistance agreements entered into by the former FSLIC (FRF could continue to receive or refund overpayments of tax benefits sharing through 2014); 4) goodwill litigation (no final date for resolution has been established; see Note 4); and 5) affordable housing program monitoring (requirements can exceed 25 years). The FRF could potentially realize recoveries from tax benefits sharing of up to approximately $36 million; however, any associated recoveries are not reflected in FRF's financial statements given the significant uncertainties surrounding the ultimate outcome.

RECEIVERSHIP OPERATIONS

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership entities, and the claims against them, are accounted for separately from FRF assets and liabilities to ensure that receivership proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Receiverships are billed by the FDIC for services provided on their behalf.

2. Summary of Significant Accounting Policies

GENERAL

These financial statements pertain to 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). As permitted by the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, the FDIC prepares financial statements in conformity with standards promulgated by the Financial Accounting Standards Board (FASB). These statements do not include reporting for assets and liabilities of receivership entities because these entities are legally separate and distinct, and the FRF does not have any ownership interests in them. Periodic and final accountability reports of receivership entities are furnished to courts, supervisory authorities, and others upon request.

USE OF ESTIMATES

Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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 changes in estimates have been disclosed. The more significant estimates include the allowance for losses on receivables from thrift resolutions and the estimated losses for litigation.

CASH EQUIVALENTS

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

PROVISION FOR LOSSES

The provision for losses represents the change in the estimation of the allowance for losses related to the receivables from thrift resolutions and other assets.

RELATED PARTIES

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

DISCLOSURE ABOUT RECENT RELEVANT ACCOUNTING PRONOUNCEMENTS

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

3. Receivables From Thrift Resolutions and Other Assets, Net

RECEIVABLES FROM THRIFT RESOLUTIONS

The receivables from thrift resolutions include payments made by the FRF to cover obligations to insured depositors, advances to receiverships for working capital, and administrative expenses paid on behalf of receiverships. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Assets held by the FDIC in its receivership capacity for the former RTC are a significant source of repayment of the FRF's receivables from thrift resolutions. As of December 31, 2011, five of the 850 FRF receiverships remain active until their goodwill litigation or liability-related impediments are resolved. During 2011, the receivables from closed thrifts and related allowance for losses decreased by $4.0 billion due to three receiverships that were terminated during the year.

The FRF receiverships held assets with a book value of $15 million and $18 million as of December 31, 2011 and 2010, respectively (which primarily consist of cash, investments, and miscellaneous receivables). At December 31, 2011, $12 million of the $15 million in assets in the FRF receiverships was cash held for non-FRF, third party creditors.

OTHER ASSETS

Other assets include credit enhancement reserves valued at $14 million and $17 million as of December 31, 2011 and 2010, respectively. The credit enhancement reserves resulted from swap transactions where the former RTC received mortgage-backed securities in exchange for single-family mortgage loans. The RTC supplied credit enhancement reserves for the mortgage loans in the form of cash collateral to cover future credit losses over the remaining life of the loans. These cash reserves, which may cover future credit losses through 2020, are valued by estimating credit losses on the underlying loan portfolio and then discounting cash flow projections using market-based rates.

Most of the remaining amount in other assets is a receivable of $44 million for recoveries from tax benefit sharing as of December 31, 2011. Recoveries from tax benefit sharing represents receipts based on the realization of tax savings from entities that either entered into assistance agreements with the former FSLIC, or have subsequently purchased financial institutions that had prior agreements with the FSLIC. In 2011, the FRF refunded $26 million in tax benefit sharing recoveries that were received in a prior year.

Receivables From Thrift Resolutions and Other Assets, Net at December 31
DOLLARS IN THOUSANDS

	2011	2010
Receivables from closed thrifts	$1,800,417	$5,763,949
Allowance for losses	(1,797,154)	(5,762,186)
Receivables from Thrift Resolutions, Net	**3,263**	**1,763**
Other assets	61,900	21,645
Total	**$65,163**	**$23,408**

4. Contingent Liabilities for:

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.

On July 22, 1998, the Department of Justice's (DOJ's) Office of Legal Counsel (OLC) concluded that the FRF is legally available to satisfy all judgments and settlements in the goodwill litigation involving supervisory action or assistance agreements. OLC determined that nonperformance of these agreements was a contingent liability that was transferred to the FRF on August 9, 1989, upon the dissolution of the FSLIC. On July 23, 1998, the U.S. Treasury determined, based on OLC's opinion, that the FRF is the appropriate source of funds for payments of any such judgments and settlements. The FDIC General Counsel concluded that, as liabilities transferred on August 9, 1989, these contingent liabilities for future nonperformance of prior agreements with respect to supervisory goodwill were transferred to the FRF-FSLIC, which is that portion of the FRF encompassing the obligations of the former FSLIC. The FRF-RTC, which encompasses the obligations of the former RTC and was created upon the termination of the RTC on December 31, 1995, is not available to pay any settlements or judgments arising out of the goodwill litigation.

The FRF can draw from an appropriation provided by Section 110 of the Department of Justice Appropriations Act, 2000 (Public Law 106-113, Appendix A, Title I, 113 Stat. 1501A-3, 1501A-20) such sums as may be necessary for the payment of judgments and compromise settlements in the goodwill litigation. This appropriation is to remain available until expended. Because an appropriation is available to pay such judgments and settlements, any estimated liability for goodwill litigation should have a corresponding receivable from the U.S. Treasury and therefore have no net impact on the financial condition of the FRF-FSLIC.

For the year ended December 31, 2011, the FRF paid $50 million as a result of a settlement in one goodwill case compared to $27 million for four goodwill cases in 2010. The FRF received appropriations from the U.S. Treasury to fund these payments.

As of December 31, 2011, five remaining cases are pending against the United States based on alleged breaches of the agreements stated above. Of the five remaining cases, a contingent liability and an offsetting receivable of $356 million and $323 million was recorded for one case as of December 31, 2011 and 2010, respectively. This case is currently before the lower court pending remand following appeal and is still considered active.

The FDIC believes that it is reasonably possible that the FRF could incur additional estimated losses for two of the five remaining cases of up to $268 million. The plaintiff in one case was awarded $205 million by the Court of Federal Claims, and this case is currently on appeal. The remaining $63 million is additional damages contended by the plaintiff to the $356 million contingent liability for the one case mentioned in the previous paragraph. For the three remaining active cases, the FDIC is unable to estimate a range of loss to the FRF-FSLIC. No awards were given to the plaintiffs in these three cases by the appellate courts. Two cases are currently on appeal, and the other case is fully adjudicated but the Court of Federal Claims is considering awarding litigation costs to the United States.

In addition, the FRF-FSLIC pays the goodwill litigation expenses incurred by the DOJ, the entity that defends these lawsuits against the United States, based on a Memorandum of Understanding (MOU) dated October 2, 1998, between the FDIC and the DOJ. FRF-FSLIC pays in advance the estimated goodwill litigation expenses. Any unused funds are carried over and applied toward the next fiscal year (FY) charges. In 2011, FRF-FSLIC did

not provide any additional funding to the DOJ because the unused funds from FY 2011 were sufficient to cover estimated FY 2012 expenses of $2.6 million.

GUARINI LITIGATION

Paralleling the goodwill cases were similar cases alleging that the government breached agreements regarding tax benefits associated with certain FSLIC-assisted acquisitions. These agreements allegedly contained the promise of tax deductions for losses incurred on the sale of certain thrift assets purchased by plaintiffs from the FSLIC, even though the FSLIC provided the plaintiffs with tax-exempt reimbursement. A provision in the Omnibus Budget Reconciliation Act of 1993 (popularly referred to as the "Guarini legislation") eliminated the tax deductions for these losses.

All eight of the original Guarini cases have been settled. However, a case settled in 2006 further obligates the FRF-FSLIC as a guarantor for all tax liabilities in the event the settlement amount is determined by tax authorities to be taxable. The maximum potential exposure under this guarantee is approximately $81 million. However, the FDIC believes that it is very unlikely the settlement will be subject to taxation. More definitive information may be available during 2012, after the Internal Revenue Service (IRS) completes its Large Case Program audit on the affected entity's 2006 returns; this audit remains ongoing. As of December 31, 2011, no liability has been recorded. The FRF does not expect to fund any payment under this guarantee.

REPRESENTATIONS AND WARRANTIES

As part of the RTC's efforts to maximize the return from the sale of assets from thrift resolutions, representations and warranties, and guarantees were offered on certain loan sales. The majority of loans subject to these agreements have been paid off, refinanced, or the period for filing claims has expired. The FDIC's estimate of maximum potential exposure to the FRF is zero. No claims in connection with representations and warranties have been asserted since 1998 on the remaining open agreements. Because of the age of the remaining portfolio and lack of claim activity, the FDIC does not expect new claims to be asserted in the future. Consequently, the financial statements at December 31, 2011 and 2010, do not include a liability for these agreements.

5. Resolution Equity

As stated in the Legislative History section of Note 1, the FRF is comprised 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.

The following table shows the contributed capital, accumulated deficit, and resulting resolution equity for each pool.

Resolution Equity at December 31, 2011
DOLLARS IN THOUSANDS

	FRF-FSLIC	FRF-RTC	FRF CONSOLIDATED
Contributed capital - beginning	$46,043,359	$81,749,337	$127,792,696
Add: U.S. Treasury payments/receivable for goodwill litigation	82,960	0	82,960
Contributed capital - ending	**46,126,319**	**81,749,337**	**127,875,656**
Accumulated deficit	(42,702,916)	(81,577,711)	(124,280,627)
Total	**$3,423,403**	**$171,626**	**$3,595,029**

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, 2011, the FRF-RTC has returned $4.6 billion to the U.S. Treasury and made payments of $5.0 billion to the REFCORP. These actions serve to reduce contributed capital. The most recent payment to the REFCORP was in January of 2008 for $225 million.

FRF-FSLIC received $50 million in U.S. Treasury payments for goodwill litigation in 2011. Furthermore, $356 million and $323 million were accrued for as receivables at year-end 2011 and 2010, respectively. The effect of this activity was an increase in contributed capital of $83 million in 2011.

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. The FRF-FSLIC accumulated deficit has increased by $12.9 billion, whereas the FRF-RTC accumulated deficit has decreased by $6.3 billion, since their dissolution dates.

6. Disclosures About the Fair Value of Financial Instruments

The financial assets recognized and measured at fair value on a recurring basis at each reporting date are cash equivalents and credit enhancement reserves. The following table presents the FRF's financial assets measured at fair value as of December 31, 2011 and 2010.

Assets Measured at Fair Value at December 31, 2011
DOLLARS IN THOUSANDS

	Fair Value Measurements Using			
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL ASSETS AT FAIR VALUE
Assets				
Cash equivalents[1]	$3,377,203			$3,377,203
Credit enhancement reserves[2]		$14,431		14,431
Total Assets	**$3,377,203**	**$14,431**	**$0**	**$3,391,634**

(1) Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the U.S. Bureau of Public Debt. Cash equivalents are included in the "Cash and cash equivalents" line item.

(2) Credit enhancement reserves are valued by performing projected cash flow analyses using market-based assumptions (see Note 3).

Assets Measured at Fair Value at December 31, 2010
DOLLARS IN THOUSANDS

	Fair Value Measurements Using			
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL ASSETS AT FAIR VALUE
Assets				
Cash equivalents[1]	$3,397,440			$3,397,440
Credit enhancement reserves[2]		$17,378		17,378
Total Assets	**$3,397,440**	**$17,378**	**$0**	**$3,414,818**

(1) Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the U.S. Bureau of Public Debt. Cash equivalents are included in the "Cash and cash equivalents" line item.

(2) Credit enhancement reserves are valued by performing projected cash flow analyses using market-based assumptions (see Note 3).

Some of the FRF's financial assets and liabilities are not recognized at fair value but are recorded at amounts that approximate fair value due to their short maturities and/or comparability with current interest rates. Such items include other short-term receivables and accounts payable and other liabilities.

The net receivable from thrift resolutions is influenced by the underlying valuation of receivership assets. This corporate receivable is unique and the estimate presented is not necessarily indicative of the amount that could be realized in a sale to the private sector. Such a sale would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. Consequently, it is not practicable to estimate its fair value.

GOVERNMENT ACCOUNTABILITY OFFICE'S AUDIT OPINION

United States Government Accountability Office
Washington, D.C. 20548

To the Board of Directors
The Federal Deposit Insurance Corporation

In accordance with section 17 of the Federal Deposit Insurance Act, as amended, and the Government Corporation Control Act, we are responsible for conducting audits of the financial statements of the funds administered by the Federal Deposit Insurance Corporation (FDIC). In our audits of the Deposit Insurance Fund's (DIF) and the FSLIC Resolution Fund's (FRF) financial statements[1] for 2011 and 2010, we found

- the financial statements as of and for the years ended December 31, 2011, and 2010, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- although certain internal controls should be improved, FDIC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011; and
- no reportable noncompliance with provisions of laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions; (2) our audit objectives, scope, and methodology; and (3) agency comments.

Opinion on the DIF's Financial Statements

The financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the DIF's assets, liabilities, and fund balance as of December 31, 2011, and 2010, and its income and fund balance and its cash flows for the years then ended.

As discussed in note 8 to the DIF's financial statements, the banking industry continued to recover in 2011 from the effects of the financial crisis and the recession of 2007-09. During 2011, 92 insured banks with combined assets of $36.6 billion failed. However, the losses to the DIF from failures that occurred in 2011 fell short of the amount reserved at the

[1] A third fund managed by FDIC, the Orderly Liquidation Fund, established by section 210 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376, 1506 (July 21, 2010), is unfunded and did not have any transactions during 2010 and 2011.

GOVERNMENT ACCOUNTABILITY OFFICE'S AUDIT OPINION (continued)

end of 2010, as the aggregate number and size of institution failures in 2011—and their estimated cost to the DIF—were less than anticipated. The DIF's contingent liability for anticipated failures declined from $17.7 billion at December 31, 2010, to $6.5 billion at December 31, 2011. As discussed in note 17 to the DIF's financial statements, through April 11, 2012, 16 institutions have failed during 2012.

As of December 31, 2011, the DIF had a fund balance of $11.8 billion, and its ratio of reserves to estimated insured deposits was 0.17 percent. In contrast, at December 31, 2010, the DIF had a negative fund balance of $7.4 billion, and its ratio of reserves to estimated insured deposits was a negative 0.12 percent. The improvement was primarily attributable to assessment revenue earned in 2011, lower losses from bank failures in 2011 than projected at December 31, 2010, and a reduction in estimated losses from anticipated failures at December 31, 2011.

During 2011, FDIC continued its implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act,[2] which included significant provisions related to the capitalization of the DIF. The act set a statutory minimum designated reserve ratio for the DIF of not less than 1.35 percent of estimated insured deposits and requires that FDIC take such steps as may be necessary to achieve this reserve ratio by September 30, 2020. FDIC adopted a new DIF restoration plan in October 2010 in response to the act's requirements. As discussed in note 9 to the DIF's financial statements, in December 2011, the FDIC adopted a final rule to maintain the DIF's designated reserve ratio at 2 percent, based on its view that this level would enable it to withstand substantial losses consistent with FDIC's comprehensive long-term management plan. In addition, the act provides for a permanent increase in the standard deposit insurance coverage amount from $100,000 to $250,000 (retroactive to January 1, 2008), and unlimited deposit insurance coverage for non-interest-bearing transaction accounts through the end of 2012. The act also authorizes FDIC to undertake enforcement actions against depository institution holding companies if their conduct, or threatened conduct, poses a risk of loss to the DIF.

The DIF also continues to face some exposure as a result of actions taken pursuant to the systemic risk determination made in 2008. As discussed in note 16 to DIF's financial statements, pursuant to this systemic risk

[2] Pub. L. No. 111-203, 124 Stat. 1376 (July 21, 2010).

determination, FDIC established the Temporary Liquidity Guarantee Program (TLGP) in 2008. The only component of the TLGP remaining is the Debt Guarantee Program, under which FDIC guaranteed newly issued senior unsecured debt up to prescribed limits issued by insured institutions and certain holding companies. FDIC charged fees to participants that are to be used to cover any losses under the Debt Guarantee Program. The guarantees covered each participating debt to the earliest of the related date of maturity, or December 31, 2012. As of December 31, 2011, the amount of debt guaranteed by FDIC under the Debt Guarantee Program was $167.4 billion.

Opinion on the FRF's Financial Statements

The financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the FRF's assets, liabilities, and resolution equity as of December 31, 2011, and 2010, and its income and accumulated deficit and its cash flows for the years then ended.

Opinion on Internal Control

Although certain internal controls associated with the DIF's financial reporting should be improved, FDIC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011. FDIC's internal control provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the DIF financial statements and the FRF financial statements would be prevented or detected and corrected on a timely basis. Our opinion is based on criteria established under 31 U.S.C. §3512 (c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

Significant Deficiency

During our 2011 audit, we identified deficiencies in controls over FDIC's process for deriving and reporting estimates of losses to the DIF from resolution transactions involving shared loss agreements. These deficiencies resulted in errors in the draft 2011 DIF financial statements that FDIC did not detect and that necessitated FDIC adjustments in finalizing the financial statements. While these deficiencies, individually and collectively, do not constitute a material weakness in internal control

GOVERNMENT ACCOUNTABILITY OFFICE'S AUDIT OPINION (continued)

over financial reporting,[3] they nevertheless increase the risk of additional undetected errors or irregularities in the DIF's financial statements. Consequently, we believe they collectively represent a significant deficiency in FDIC's internal control over financial reporting for the DIF.[4]

Since 2009, FDIC has used purchase and assumption agreements with accompanying shared loss agreements as the primary means of resolving failed financial institutions. Under such agreements, FDIC sells a failed institution to an acquirer with an agreement that FDIC, through the DIF, will share in any losses the acquirer experiences in servicing and disposing of assets purchased and covered under the shared loss agreement. Typically, these shared loss agreements are structured such that FDIC assumes 80 percent of any such losses.

For financial reporting purposes, FDIC developed a process to calculate an estimate of losses under these shared loss agreements. The estimate was $42.8 billion (46 percent) of the total DIF allowance for losses related to the Receivables from resolutions, net line item on the DIF's balance sheet at December 31, 2011. As an integral part of this shared loss estimation process, FDIC developed a series of computerized programs that are commonly referred to as the shared loss model.

As part of our audit, we reviewed the process by which FDIC derived its estimates of losses to the DIF from shared loss agreements. We identified deficiencies in internal control over this process that allowed significant errors in the shared loss estimate to occur and not be detected or corrected. During prior financial audits, we identified and reported on control deficiencies in FDIC's process for estimating losses from shared

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

[4] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

loss agreements.[5] Although FDIC has taken steps intended to address the deficiencies that we previously identified, the controls put in place were not sufficient to prevent, detect, and correct errors in the shared loss model. During our 2011 audit, the following three control deficiencies were identified that adversely affected FDIC's shared loss estimation process:

1. FDIC lacked effective controls over testing and verifying the shared loss model. FDIC's tests were not designed to consistently verify that the model's logic and test results were consistent with the objectives of the model. Further, the tests did not evaluate all portions of the model's loss calculation. As a result, FDIC's tests did not detect three separate programming errors in the model, such as double counting of some losses that led to errors in the shared loss estimate in the draft DIF financial statements. The lack of effective controls resulted in undetected gross errors in the draft DIF financial statements' overall allowance for losses of $578 million and a $184 million net reduction in the loss estimate. FDIC subsequently corrected this error in finalizing the DIF's 2011 financial statements.

2. FDIC lacked effective controls over the integrity of source data used by the shared loss model in deriving the shared loss estimates. FDIC's controls did not fully provide reasonable assurance that the source data used by the model were accurate. FDIC recognized that the model depended on accurate source data. However, in testing the model, FDIC did not develop steps to verify either the model's input or results with original source documents. As a result, we identified errors, not only in the source data but also in the model itself that FDIC's testing had not previously identified. This control deficiency resulted in undetected gross errors in the draft DIF financial statements' overall allowance for losses of $191 million and a $90 million net reduction in the loss estimate. FDIC subsequently corrected this error in finalizing the DIF's 2011 financial statements.

3. FDIC lacked effective documentation for key aspects of its shared loss estimation process that hindered an adequate review of both the

[5] GAO, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2009 and 2008 Financial Statements*, GAO-10-705 (Washington, D.C.: June 25, 2010); *Management Report: Opportunities for Improvements in FDIC's Internal Controls and Accounting Procedures*, GAO-11-23R (Washington, D.C.: Nov. 30, 2010); and *Management Report: Opportunities for Improvements in FDIC's Internal Controls and Accounting Procedures*, GAO-11-687R (Washington, D.C.: Aug. 5, 2011).

GOVERNMENT ACCOUNTABILITY OFFICE'S AUDIT OPINION (continued)

process and the shared loss model and, ultimately, the loss estimates derived from the model. As a result, FDIC's multiple reviews and approvals did not identify programming errors that existed within the model. We reported in 2009 and again in 2010 that FDIC did not have clear and comprehensive documentation over this process to allow for such a review.[6] FDIC attempted to address this continuing issue by strengthening its internal controls over the entire shared loss estimation process in 2011 through documenting flow charts, data dictionaries, and high-level descriptions of the process. However, FDIC did not adequately document how the model should perform calculations or how the calculations link to its estimation methodology. As a result, FDIC's review of the model was not fully effective at identifying errors.

As a direct result of these deficiencies in internal control over the shared loss model, FDIC did not detect errors in the calculation of the shared loss estimate in preparing the draft 2011 DIF financial statements. Given the significance of this process and its impact on the DIF's financial statements, it is critical that FDIC design and implement effective controls and ensure that all steps in the shared loss model are fully documented to allow for appropriate review of key steps in the process. We will be making recommendations to FDIC to address the issues that make up this significant deficiency in a separate report.

We identified other less significant matters concerning FDIC's internal control that we will report separately, along with recommended corrective actions for these matters.

Compliance with Laws and Regulations

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

[6] GAO-10-705, GAO-11-23R, and GAO-11-687R.

Objectives, Scope, and Methodology

FDIC management is responsible for (1) preparing the annual financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing and maintaining effective internal control over financial reporting and evaluating its effectiveness, and (3) complying with applicable laws and regulations. Management evaluated the effectiveness of FDIC's internal control over financial reporting as of December 31, 2011, based on criteria established under FMFIA. FDIC management provided an assertion concerning the effectiveness of its internal control over financial reporting (see app. I).

We are responsible for planning and performing the audit to obtain reasonable assurance and provide our opinion about whether (1) the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, and (2) FDIC management maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011. We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by FDIC management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of FDIC and its operations, including its internal control over financial reporting;
- considered FDIC's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA;
- assessed the risk that a material misstatement exists in the financial statements and the risk that a material weakness exists in internal control over financial reporting;

GOVERNMENT ACCOUNTABILITY OFFICE'S AUDIT OPINION (continued)

- tested relevant internal control over financial reporting;
- evaluated the design and operating effectiveness of internal control over financial reporting based on the assessed risk;
- tested compliance with certain laws and regulations, including selected provisions of the Federal Deposit Insurance Act, as amended; and
- performed such other procedures as we considered necessary in the circumstances.

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 conformity 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 laws and regulations that could have a direct and material effect on the financial statements.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting. Because of inherent limitations in internal control, internal control may not prevent or detect and correct misstatements caused by error or fraud, losses, or noncompliance. 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 policies and procedures may deteriorate.

We did not test compliance with all laws and regulations applicable to FDIC. We limited our tests of compliance to those laws and regulations that have a direct and material effect on the financial statements for the year ended December 31, 2011. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audits in accordance with U.S. generally accepted government auditing standards. We believe our audits provide a reasonable basis for our opinions and other conclusions.

FDIC Comments

In commenting on a draft of this report, the FDIC's Chief Financial Officer (CFO) noted that the agency was pleased to receive unqualified opinions on the DIF and FRF financial statements and that we reported that it had effective internal control over financial reporting and compliance with laws and regulations for each fund.

FDIC's CFO also stated that during the audit year, FDIC management and staff continued to take steps to strengthen and improve controls over the shared loss estimation process and will continue to focus on this area in the coming audit year. The CFO added that FDIC recognizes the important role a strong internal control program plays in an agency achieving its mission, and that FDIC's dedication to sound financial management has been and will remain a top priority.

Steven J. Sebastian
Managing Director
Financial Management and Assurance

April 11, 2012

APPENDIX I

MANAGEMENT'S RESPONSE

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990 Deputy to the Chairman and CFO

April 11, 2012

Mr. Steven J. Sebastian
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: FDIC Management Response on the GAO 2011 Financial Statements Audit Report

Dear Mr. Sebastian:

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' 2011 and 2010 Financial Statements, GAO-12-416**. We are pleased that the Federal Deposit Insurance Corporation (FDIC) received an unqualified opinion for the twentieth consecutive year on the financial statements of its funds: the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF). Also, GAO reported that the FDIC had effective internal control over financial reporting and compliance with laws and regulations for each fund, and there was no reportable noncompliance with the laws and regulations that were tested. GAO did report a significant control deficiency in FDIC's process for deriving and reporting estimates of losses to the DIF from resolution transactions involving shared loss agreements.

During the audit year, the FDIC management and staff continued to take steps to strengthen and improve controls over the shared loss estimation process and will continue to focus on this area in the coming audit year. FDIC recognizes the important role a strong internal control program plays in an agency achieving its mission. Our dedication to sound financial management has been and will remain a top priority.

In complying with audit standards that require management to provide a written assertion about the effectiveness of its internal control over financial reporting, the FDIC has prepared **Management's Report on Internal Control over Financial Reporting** (see attachment). 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 a productive and successful relationship during the 2012 audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Steven O. App
Deputy to the Chairman
and Chief Financial Officer

MANAGEMENT'S RESPONSE (continued)

Management's Report on Internal Control over Financial Reporting

The Federal Deposit Insurance Corporation's (FDIC's) internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in conformity with U.S. generally accepted accounting principles (GAAP), and compliance with applicable laws and regulations. The objective of the FDIC's internal control over financial reporting is to reasonably assure that (1) transactions are properly recorded, processed and summarized to permit the preparation of financial statements in accordance with GAAP, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with the laws and regulations that could have a direct and material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of the FDIC's internal control over financial reporting as of December 31, 2011 through its corporate risk management program that seeks to comply with the spirit of the following standards, among others: Federal Managers' Financial Integrity Act of 1982 (FMFIA); Chief Financial Officers Act (CFO Act); Government Performance and Results Act (GPRA); Federal Information Security Management Act (FISMA); and OMB Circular A-123. In addition, other standards that the FDIC considers are the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control – Integrated Framework* and the U.S. Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government*.

Based on the above assessment, management concluded that, as of December 31, 2011, FDIC's internal control over financial reporting is effective based upon the criteria established in FMFIA.

Federal Deposit Insurance Corporation
April 11, 2012

OVERVIEW OF THE INDUSTRY

The 7,357 FDIC-insured commercial banks and savings institutions that filed financial results at year-end 2011 reported net income of $119.5 billion for the year, an increase of $34.0 billion compared with full year 2010. This is the highest annual earnings total since 2006, when insured institutions reported $145.2 billion in net income. The year-over-year improvement was made possible by large reductions in provisions for loan and lease losses, reflecting an improving trend in credit quality. The improvement in earnings was fairly widespread; more than two out of every three insured institutions – 66.9 percent – reported higher net income than in 2010. Fewer than one in seven institutions – 15.5 percent – reported a net loss for the year, the lowest proportion since 2007. Reduced loss provisioning expenses made up for a year-over-year decline in the industry's revenues. Net operating revenue (the sum of net interest income and total noninterest income) was $12.8 billion lower than in 2010.

The average return on assets (ROA) rose to 0.88 percent from 0.65 percent a year earlier. This is the highest full year ROA for the industry since 2006. More than 59 percent of insured institutions had higher ROAs in 2011 than in 2010. Insured institutions set aside $76.9 billion in provisions for loan and lease losses during 2011, a reduction of $81.1 billion (51.3 percent) compared to 2010. The industry's total noninterest income declined by $5.3 billion (2.3 percent), as income from asset servicing fell by $8.0 billion (48.6 percent), gains on loan sales dropped by $4.8 billion (43.0 percent), and income from service charges on deposit accounts declined by $2.2 billion (5.9 percent). These declines were partially offset by a $2.2 billion (9.5 percent) increase in trading income. Net interest income was $7.5 billion (1.7 percent) lower than in 2010. Total noninterest expenses were $19.8 billion (5.1 percent) higher.

A problematic interest-rate environment characterized by historically low short-term interest rates contributed to a decline in the industry's net interest margin. The average margin fell from 3.76 percent in 2010 to 3.60 percent in 2011. Narrower spreads between the yields on interest-earning assets and the costs of funding those assets combined with weak growth in earning assets to produce the year-over-year decline in net interest income. The greatest margin declines occurred at the largest banks, where much of the growth in interest-earning assets consisted of low-yield investments, such as balances with Federal Reserve banks.

An improving trend in asset quality indicators that began in the second half of 2010 continued through the end of 2011. For the twelve months ended December 31, total noncurrent loans and leases – those that were 90 days or more past due or in nonaccrual status – fell by $53.5 billion (14.9 percent). All major loan categories registered improvements, with loans secured by real estate properties accounting for more than two-thirds (68 percent) of the total decline in noncurrent loan balances. Noncurrent real estate construction and development loans declined by $19.3 billion, while balances of loans to commercial and industrial (C&I) borrowers that were noncurrent fell by $11.7 billion. Noncurrent real estate loans secured by nonfarm nonresidential properties declined by $6.1 billion, and noncurrent residential mortgage balances dropped by $5.6 billion. Net charge-offs of loans and leases (NCOs) totaled $113.0 billion in 2011, a $74.7 billion decline from 2010. This is the fourth consecutive year that industry charge-offs exceeded $100 billion. Credit card loan NCOs had the largest year-over-year decline, falling by $27.9 billion. NCOs of real estate construction loans were $11.8 billion lower, C&I NCOs were down by $9.8 billion, and residential mortgage NCOs fell by $8.3 billion. At the end of 2011, there were 813 institutions on the FDIC's "Problem List," down from 884 "problem" institutions at the beginning of the year.

Asset growth picked up in 2011, funded by strong deposit inflows. During the 12 months ended December 31, total assets of insured institutions increased by $564.4 billion (4.2 percent). Cash and balances due from depository institutions (including balances with Federal Reserve banks) accounted for $298.4 billion (52.9 percent) of the growth in assets. Securities portfolios rose by $182.6 billion (6.8 percent). Net loans and leases increased by $130.8 billion, as C&I loan balances rose by $160.9 billion (13.6 percent). Balances fell in most other major loan categories in 2011. The largest declines occurred in real estate construction and development loans, where balances fell by $81.4 billion (25.3 percent), and in home equity lines of credit, which declined by $33.5 billion (5.3 percent). Banks reduced their reserves for loan losses by $40.5 billion (17.5 percent) during 2011, while increasing their equity capital by $68.0 billion (4.6 percent).

Growth in deposits outpaced the increase in total assets in 2011. Deposits in domestic offices of insured institutions increased by $881.9 billion (11.2 percent), while deposits in foreign offices fell by $121.4 billion (7.8 percent). A large portion of the increase in domestic deposits occurred in noninterest-bearing transaction accounts with balances greater than $250,000 that are fully insured until the end of 2012. Balances in these accounts increased by $569.1 billion (56 percent) during the year. Nondeposit liabilities fell by $255.6 billion (10.7 percent), as banks reduced their Federal Home Loan Bank advances by $59.1 billion (15.3 percent), Fed funds purchased declined by $72.5 billion (60.9 percent), securities sold under repurchase agreements dropped by $30.3 billion (6.6 percent), and other secured borrowings fell by $76.4 billion (19.6 percent).

5. CORPORATE MANAGEMENT CONTROL

The FDIC uses several means to maintain comprehensive internal controls, ensure the overall effectiveness and efficiency of operations and otherwise comply as necessary with the following federal standards, among others:

- Chief Financial Officers' Act (CFO Act)
- Federal Managers' Financial Integrity Act (FMFIA)
- Federal Financial Management Improvement Act (FFMIA)
- Government Performance and Results Act (GPRA)
- Federal Information Security Management Act (FISMA)
- OMB Circular A-123
- GAO's Standards for Internal Control in the Federal Government

As a foundation for these efforts, the Corporate Management Control Branch in DOF [formerly the Office of Enterprise Risk Management (OERM)] traditionally has overseen a corporate-wide program of relevant activities by establishing policies and coordinating on an ongoing basis with parallel management control units in each Division and Office in the FDIC. Broadly speaking, a coordinated effort has been made to ensure that operational risks have been identified, with corresponding control needs being incorporated into day-to-day operations. The program also imposes the need for comprehensive procedures to be documented, employees to be thoroughly trained and supervisors to be held accountable for performance and results. Compliance monitoring is carried out through periodic management reviews and by the distribution of various activity reports to all levels of management. Conscientious attention is also paid to the implementation of audit recommendations made by the FDIC Office of the Inspector General, the GAO, the Treasury Department's Special Inspector General for the TARP program and other providers of external/audit scrutiny. The FDIC has received unqualified (clean) opinions on its financial statement audits for twenty consecutive years, and these and other positive results are reflective of the effectiveness of the overall management control program.

Significantly, since the beginning of the financial crisis, the FDIC has expanded the range of issues receiving close management scrutiny to encompass crisis-related challenges. Several Program Management Organizations (PMOs) were created to oversee such issues as shared-loss agreements, legacy loans, systemic resolution authority, the Temporary Liquidity Guarantee Program, contract management oversight, and resource management. For each area, key issues and risks were identified, action plans and performance metrics were developed as necessary, and the Chairman was briefed at least monthly. In many cases, enhancements in operating procedures and automated systems of support were made as a direct result of this heightened management attention. Particular attention also was given to the training needs of the FDIC's expanded staff, to include training in supervisory skills, to help ensure the continuation of effective operations and results.

Similar plans for 2012 and beyond have been developed to ensure a smooth transition of operations as we move toward a post-crisis operating environment. Among other things, program evaluation activities in the coming year will focus not only on new responsibilities associated

with the Dodd-Frank legislation and other internal organizational changes, but on the closing of temporary satellite offices and the downsizing of staffing in general. Continued emphasis and management scrutiny also will be applied to contracting oversight, the accuracy and integrity of transactions, and systems development efforts in general.

MANAGEMENT REPORT ON FINAL ACTIONS

As required under amended Section 5 of the Inspector General Act of 1978, the FDIC must report information on final action taken by management on certain audit reports. The tables on the following pages provide information on final action taken by management on audit reports for the federal fiscal year period October 1, 2010, through September 30, 2011.

Table 1: Management Report on Final Action on Audits with Disallowed Costs for Fiscal Year 2011
DOLLARS IN THOUSANDS

	AUDIT REPORTS	NUMBER OF REPORTS	DISALLOWED COSTS
A.	Management decisions – final action not taken at beginning of period	2	$25,148
B.	Management decisions made during the period	4	$42,801
C.	**Total reports pending final action during the period (A and B)**	**6**	**$67,949**
D.	Final action taken during the period:		
	1. Recoveries:		
	(a) Collections & offsets	5	$37,605
	(b) Other	0	$0
	2. Write-offs	3	$3,987
	3. Total of 1(a), 1(b), & 2	**5[1]**	**$41,592**
E.	Audit reports needing final action at the end of the period	2	$31,475[2]

[1] Three reports have both collections and write-offs, thus the total of 1(a), 1(b), and 2 is five.

[2] Amount collected in D3 included excess recoveries of $2.6 million not reflected in line E.

Table 2: Management Report on Final Action on Audits with Recommendations to Put Funds to Better Use for Fiscal Year 2011
DOLLARS IN THOUSANDS

	AUDIT REPORTS	NUMBER OF REPORTS	FUNDS PUT TO BETTER USE
A.	Management decisions – final action not taken at beginning of period	0	$0
B.	Management decisions made during the period	1	$2,509
C.	**Total reports pending final action during the period (A and B)**	**1**	**$2,509**
D.	Final action taken during the period:		
	1. Value of recommendations implemented (completed)	1	$43
	2. Value of recommendations that management concluded should not or could not be implemented or completed	1	$2,466
	3. Total of 1 and 2	**1[3]**	**$2,509**
E.	Audit reports needing final action at the end of the period	0	$0

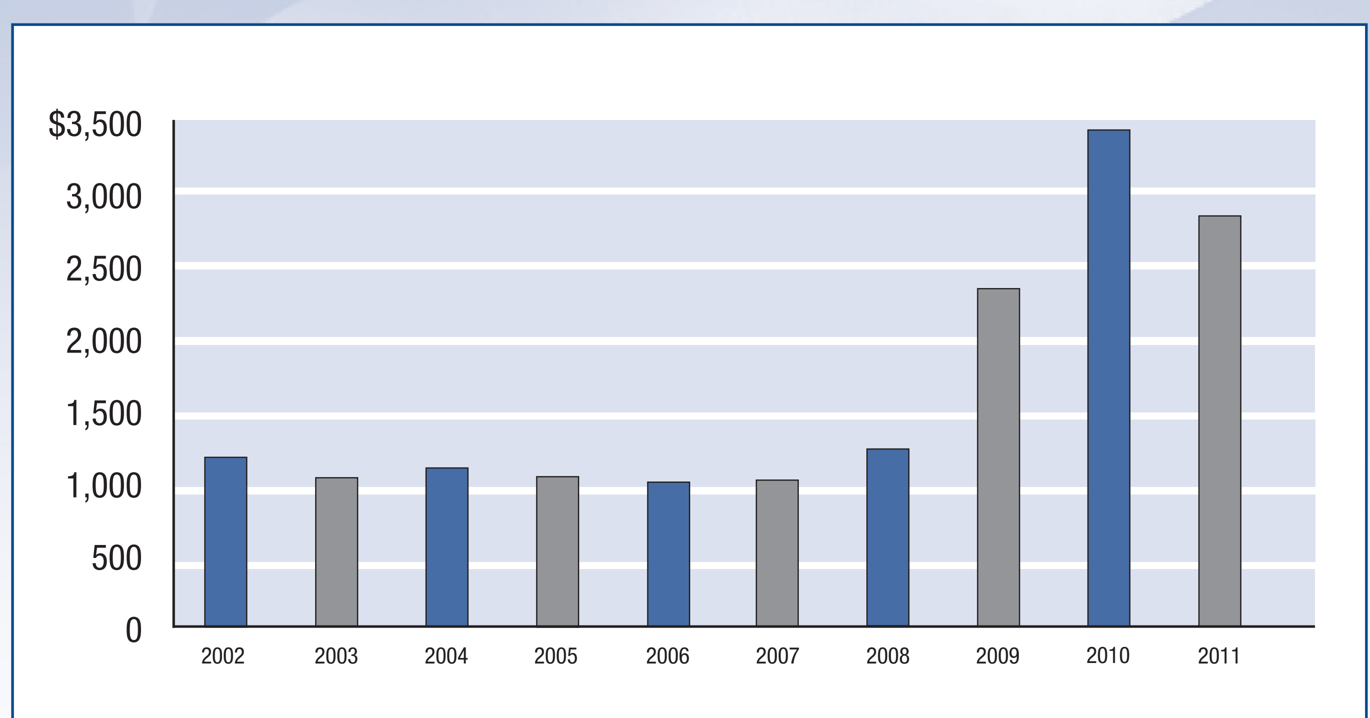
[3] One report had both implemented and unimplemented values.

Table 3: Audit Reports Without Final Actions But With Management Decisions Over One Year Old for Fiscal Year 2011 Management Action in Process

REPORT NO. AND ISSUE DATE	OIG AUDIT FINDING	MANAGEMENT ACTION	DISALLOWED COSTS
AUD-11-001 11/30/2010	KPMG recommends that the FDIC should complete the design and implementation of an agency-wide continuous monitoring program that addresses continuous monitoring strategies for FDIC information systems.	During 2011, the FDIC completed the design of the agency-wide continuous monitoring program and made significant progress in implementing that program. The Office of Inspector General's Federal Information Security Management Act (FISMA) results confirmed that, "the FDIC made meaningful progress in developing an agency-wide continuous monitoring program." In addition, the OIG 2011 FISMA report further stated that the OIG was not issuing any new recommendations in the area of continuous monitoring management because, "the FDIC was working to fully implement a multi-year effort to address a recommendation in our prior-year security evaluation report required by FISMA." The OIG will re-evaluate progress on the implementation of this program during the 2012 FISMA evaluation. Expected completion date: December 2012	$0

6. APPENDICES

FDIC Expenditures 2002-2011
Dollars in Millions



A. KEY STATISTICS

The FDICs Strategic Plan and Annual Performance Plan provide the basis for annual planning and budgeting for needed resources. The 2011 aggregate budget (for corporate, receivership, and investment spending) was $3.88 billion, while actual expenditures for the year were $2.83 billion, about $590 million less than 2010 expenditures.

Over the past decade the FDIC's expenditures have varied in response to workload. After peaking in 2010, expenditure levels subsided in 2011, largely due to decreasing resolution and receivership activity.

FDIC Actions on Financial Institutions Applications 2009–2011

	2011	2010	2009
Deposit Insurance	10	16	19
Approved[1]	10	16	19
Denied	0	0	0
New Branches	442	461	521
Approved	442	459	521
Denied	0	2	0
Mergers	206	182	190
Approved	206	182	190
Denied	0	0	0
Requests for Consent to Serve[2]	876	839	503
Approved	875	839	503
Section 19	24	10	20
Section 32	851	829	483
Denied	1	0	0
Section 19	0	0	0
Section 32	1	0	0
Notices of Change in Control	21	33	18
Letters of Intent Not to Disapprove	21	33	18
Disapproved	0	0	0
Brokered Deposit Waivers	84	66	35
Approved	83	65	34
Denied	1	1	1
Savings Association Activities[3]	30	31	39
Approved	30	31	39
Denied	0	0	0
State Bank Activities/Investments[4]	9	3	2
Approved	9	3	2
Denied	0	0	0
Conversion of Mutual Institutions	6	2	6
Non-Objection	6	2	6
Objection	0	0	0

[1] Includes deposit insurance application filed on behalf of: (1) newly organized institutions, (2) existing uninsured financial services companies seeking establishment as an insured institution, and (3) interim institutions established to facilitate merger or conversion transactions, and applications to facilitate the establishment of thrift holding companies.

[2] Under Section 19 of the Federal Deposit Insurance (FDI) Act, an insured institution must receive FDIC approval before employing a person convicted of dishonesty or breach of trust. Under Section 32, the FDIC must approve any change of directors or senior executive officers at a state nonmember bank that is not in compliance with capital requirements or is otherwise in troubled condition.

[3] Amendments to Part 303 of the FDIC Rules and Regulations changed FDIC oversight responsibility in October 1998. In 1998, Part 303 changed the Delegations of Authority to act upon applications.

[4] Section 24 of the FDI Act, in general, precludes a federally insured state bank from engaging in an activity not permissible for a national bank and requires notices to be filed with the FDIC.

Compliance, Enforcement, and Other Related Legal Actions 2009–2011

	2011	2010	2009
Total Number of Actions Initiated by the FDIC	550	758	551
Termination of Insurance			
Involuntary Termination			
Sec. 8a For Violations, Unsafe/Unsound Practices or Conditions	0	0	0
Voluntary Termination			
Sec. 8a By Order Upon Request	0	0	0
Sec. 8p No Deposits	7	4	4
Sec. 8q Deposits Assumed	2	1	2
Sec. 8b Cease-and-Desist Actions			
Notices of Charges Issued*	7	1	3
Consent Orders	183	372	302
Sec. 8e Removal/Prohibition of Director or Officer			
Notices of Intention to Remove/Prohibit	11	10	2
Consent Orders	100	111	64
Sec. 8g Suspension/Removal When Charged With Crime	1	0	0
Civil Money Penalties Issued			
Sec. 7a Call Report Penalties	0	0	1
Sec. 8i Civil Money Penalties	193	212	154
Sec. 8i Civil Money Penalty Notices of Assessment	5	8	0
Sec. 10c Orders of Investigation	29	15	10
Sec. 19 Waiver Orders			
Approved Section 19 Waiver Orders	10	24	12
Denied Section 19 Waiver Orders	1	0	0
Sec. 32 Notices Disapproving Officer/Director's Request for Review	0	0	0
Truth-in-Lending Act Reimbursement Actions			
Denials of Requests for Relief	0	0	0
Grants of Relief	0	0	0
Banks Making Reimbursement*	84	64	94
Suspicious Activity Reports (Open and closed institutions)*	125,460	126,098	128,973
Other Actions Not Listed	8	1	0

*These actions do not constitute the initiation of a formal enforcement action and, therefore, are not included in the total number of actions initiated.

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through December 31, 2011

DOLLARS IN MILLIONS (except Insurance Coverage)

		DEPOSITS IN INSURED INSTITUTIONS				INSURANCE FUND AS A PERCENTAGE OF	
YEAR	INSURANCE COVERAGE[1]	TOTAL DOMESTIC DEPOSITS	EST. INSURED DEPOSITS[2]	PERCENTAGE OF INSURED DEPOSITS	DEPOSIT INSURANCE FUND	TOTAL DOMESTIC DEPOSITS	EST. INSURED DEPOSITS
2011	$250,000	$8,779,282	$6,979,126	79.5	$11,826.5	0.13	0.17
2010	250,000	7,887,732	6,315,302	80.1	(7,352.2)	(0.09)	(0.12)
2009	250,000	7,705,353	5,407,757	70.2	(20,861.8)	(0.27)	(0.39)
2008	100,000	7,505,409	4,750,783	63.3	17,276.3	0.23	0.36
2007	100,000	6,921,678	4,292,211	62.0	52,413.0	0.76	1.22
2006	100,000	6,640,097	4,153,808	62.6	50,165.3	0.76	1.21
2005	100,000	6,229,823	3,891,000	62.5	48,596.6	0.78	1.25
2004	100,000	5,724,775	3,622,213	63.3	47,506.8	0.83	1.31
2003	100,000	5,224,030	3,452,606	66.1	46,022.3	0.88	1.33
2002	100,000	4,916,200	3,383,720	68.8	43,797.0	0.89	1.29
2001	100,000	4,565,068	3,216,585	70.5	41,373.8	0.91	1.29
2000	100,000	4,211,895	3,055,108	72.5	41,733.8	0.99	1.37
1999	100,000	3,885,826	2,869,208	73.8	39,694.9	1.02	1.38
1998	100,000	3,817,150	2,850,452	74.7	39,452.1	1.03	1.38
1997	100,000	3,602,189	2,746,477	76.2	37,660.8	1.05	1.37
1996	100,000	3,454,556	2,690,439	77.9	35,742.8	1.03	1.33
1995	100,000	3,318,595	2,663,873	80.3	28,811.5	0.87	1.08
1994	100,000	3,184,410	2,588,619	81.3	23,784.5	0.75	0.92
1993	100,000	3,220,302	2,602,781	80.8	14,277.3	0.44	0.55
1992	100,000	3,275,530	2,677,709	81.7	178.4	0.01	0.01
1991	100,000	3,331,312	2,733,387	82.1	(6,934.0)	(0.21)	(0.25)
1990	100,000	3,415,464	2,784,838	81.5	4,062.7	0.12	0.15
1989	100,000	3,412,503	2,755,471	80.7	13,209.5	0.39	0.48
1988	100,000	2,337,080	1,756,771	75.2	14,061.1	0.60	0.80
1987	100,000	2,198,648	1,657,291	75.4	18,301.8	0.83	1.10
1986	100,000	2,162,687	1,636,915	75.7	18,253.3	0.84	1.12
1985	100,000	1,975,030	1,510,496	76.5	17,956.9	0.91	1.19
1984	100,000	1,805,334	1,393,421	77.2	16,529.4	0.92	1.19

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through December 31, 2011

DOLLARS IN MILLIONS (except Insurance Coverage) CONTINUED

		Deposits in Insured Institutions				Insurance Fund as a Percentage of	
Year	Insurance Coverage[1]	Total Domestic Deposits	Est. Insured Deposits[2]	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	0.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	0.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	0.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	0.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21
1978	40,000	1,145,835	760,706	66.4	8,796.0	0.77	1.16
1977	40,000	1,050,435	692,533	65.9	7,992.8	0.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	0.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	0.77	1.18
1974	40,000	833,277	520,309	62.4	6,124.2	0.73	1.18
1973	20,000	766,509	465,600	60.7	5,615.3	0.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	0.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	0.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	0.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	0.82	1.29
1968	15,000	491,513	296,701	60.4	3,749.2	0.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	0.78	1.33
1966	15,000	401,096	234,150	58.4	3,252.0	0.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	0.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	0.82	1.48
1963	10,000	313,304	177,381	56.6	2,667.9	0.85	1.50
1962	10,000	297,548	170,210	57.2	2,502.0	0.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	0.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	0.85	1.48
1959	10,000	247,589	142,131	57.4	2,089.8	0.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	0.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	0.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	0.79	1.44

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through December 31, 2011

DOLLARS IN MILLIONS (except Insurance Coverage)

CONTINUED

		Deposits in Insured Institutions				Insurance Fund as a Percentage of	
Year	Insurance Coverage[1]	Total Domestic Deposits	Est. Insured Deposits[2]	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Est. Insured Deposits
1955	10,000	212,226	116,380	54.8	1,639.6	0.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	0.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	0.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	0.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	0.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	0.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	0.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	0.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	0.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	0.71	1.44
1945	5,000	157,174	67,021	42.6	929.2	0.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	0.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	0.69	1.88
1941	5,000	71,209	28,249	39.7	553.5	0.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	0.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	0.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	0.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	0.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	0.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	0.68	1.52
1934	5,000	40,060	18,075[2]	45.1	291.7	0.73	1.61

[1] The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) temporarily provides unlimited coverage for non-interest bearing transaction accounts for two years beginning December 31, 2010. Coverage limits do not reflect temporary increases authorized by the Emergency Economic Stabilization Act of 2008. Coverage for certain retirement accounts increased to $250,000 in 2006. Initial coverage limit was $2,500 from January 1 to June 30, 1934.

[2] Beginning in the fourth quarter 2010, estimates of insured deposits include the Dodd-Frank Act temporary unlimited coverage for non-interest bearing transaction accounts. Prior to 1989, figures are for the Bank Insurance Fund (BIF) only and exclude insured branches of foreign banks. For 1989 to 2005, figures represent sum of the BIF and Savings Association Insurance Fund (SAIF) amounts; for 2006 to 2011, figures are for DIF. Amounts for 1989 - 2011 include insured branches of foreign banks. Prior to year-end 1991, insured deposits were estimated using percentages determined from June Call and Thrift Financial Reports.

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2011

DOLLARS IN MILLIONS

	INCOME					EXPENSES AND LOSSES					
YEAR	TOTAL	ASSESSMENT INCOME	ASSESSMENT CREDITS	INVESTMENT AND OTHER	EFFECTIVE ASSESSMENT RATE[1]	TOTAL	PROVISION FOR INS. LOSSES	ADMIN. AND OPERATING EXPENSES[2]	INTEREST & OTHER INS. EXPENSES	FUNDING TRANSFER FROM THE FSLIC RESOLUTION FUND	NET INCOME/ (LOSS)
TOTAL	**$172,116.7**	**$115,379.3**	**$11,392.7**	**$68,718.9**		**$161,430.1**	**$130,481.0**	**$21,356.9**	**$9,592.2**	**$139.5**	**$10,826.1**
2011	$16,342.0	13,499.5	0.9	2,843.4	0.1110%	(2,915.4)	(4,413.6)	1,625.4	(127.2)	0	19,257.4
2010	13,379.9	13,611.2	0.8	(230.5)	0.1772%	75.0	(847.8)	1,592.6	(669.8)	0	13,304.9
2009	24,706.4	17,865.4	148.0	6,989.0	0.2330%	60,709.0	57,711.8	1,271.1	1,726.1	0	(36,002.6)
2008	7,306.3	4,410.4	1,445.9	4,341.8	0.0418%	44,339.5	41,838.8	1,033.5	1,467.2	0	(37,033.2)
2007	3,196.2	3,730.9	3,088.0	2,553.3	0.0093%	1,090.9	95.0	992.6	3.3	0	2,105.3
2006	2,643.5	31.9	0.0	2,611.6	0.0005%	904.3	(52.1)	950.6	5.8	0	1,739.2
2005	2,420.5	60.9	0.0	2,359.6	0.0010%	809.3	(160.2)	965.7	3.8	0	1,611.2
2004	2,240.3	104.2	0.0	2,136.1	0.0019%	607.6	(353.4)	941.3	19.7	0	1,632.7
2003	2,173.6	94.8	0.0	2,078.8	0.0019%	(67.7)	(1,010.5)	935.5	7.3	0	2,241.3
2002	1,795.9	107.8	0.0	2,276.9	0.0023%	719.6	(243.0)	945.1	17.5	0	1,076.3
2001	2,730.1	83.2	0.0	2,646.9	0.0019%	3,123.4	2,199.3	887.9	36.2	0	(393.3)
2000	2,570.1	64.3	0.0	2,505.8	0.0016%	945.2	28.0	883.9	33.3	0	1,624.9
1999	2,416.7	48.4	0.0	2,368.3	0.0013%	2,047.0	1,199.7	823.4	23.9	0	369.7
1998	2,584.6	37.0	0.0	2,547.6	0.0010%	817.5	(5.7)	782.6	40.6	0	1,767.1
1997	2,165.5	38.6	0.0	2,126.9	0.0011%	247.3	(505.7)	677.2	75.8	0	1,918.2
1996	7,156.8	5,294.2	0.0	1,862.6	0.1622%	353.6	(417.2)	568.3	202.5	0	6,803.2
1995	5,229.2	3,877.0	0.0	1,352.2	0.1238%	202.2	(354.2)	510.6	45.8	0	5,027.0
1994	7,682.1	6,722.7	0.0	959.4	0.2192%	(1,825.1)	(2,459.4)	443.2	191.1	0	9,507.2
1993	7,354.5	6,682.0	0.0	672.5	0.2157%	(6,744.4)	(7,660.4)	418.5	497.5	0	14,098.9
1992	6,479.3	5,758.6	0.0	720.7	0.1815%	(596.8)	(2,274.7)	614.8[3]	1,063.1	35.4	7,111.5
1991	5,886.5	5,254.0	0.0	632.5	0.1613%	16,925.3	15,496.2	326.1	1,103.0	42.4	(10,996.4)
1990	3,855.3	2,872.3	0.0	983.0	0.0868%	13,059.3	12,133.1	275.6	650.6	56.1	(9,147.9)
1989	3,494.8	1,885.0	0.0	1,609.8	0.0816%	4,352.2	3,811.3	219.9	321.0	5.6	(851.8)
1988	3,347.7	1,773.0	0.0	1,574.7	0.0825%	7,588.4	6,298.3	223.9	1,066.2	0	(4,240.7)

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2011

DOLLARS IN MILLIONS

CONTINUED

	INCOME					EXPENSES AND LOSSES					
YEAR	TOTAL	ASSESSMENT INCOME	ASSESSMENT CREDITS	INVESTMENT AND OTHER	EFFECTIVE ASSESSMENT RATE[1]	TOTAL	PROVISION FOR INS. LOSSES	ADMIN. AND OPERATING EXPENSES[2]	INTEREST & OTHER INS. EXPENSES	FUNDING TRANSFER FROM THE FSLIC RESOLUTION FUND	NET INCOME/ (LOSS)
1987	3,319.4	1,696.0	0.0	1,623.4	0.0833%	3,270.9	2,996.9	204.9	69.1	0	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	0.0787%	2,963.7	2,827.7	180.3	(44.3)	0	296.4
1985	3,385.5	1,433.5	0.0	1,952.0	0.0815%	1,957.9	1,569.0	179.2	209.7	0	1,427.6
1984	3,099.5	1,321.5	0.0	1,778.0	0.0800%	1,999.2	1,633.4	151.2	214.6	0	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	0.0714%	969.9	675.1	135.7	159.1	0	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	0.0769%	999.8	126.4	129.9	743.5	0	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	0.0714%	848.1	320.4	127.2	400.5	0	1,226.6
1980	1,310.4	951.9	521.1	879.6	0.0370%	83.6	(38.1)	118.2	3.5	0	1,226.8
1979	1,090.4	881.0	524.6	734.0	0.0333%	93.7	(17.2)	106.8	4.1	0	996.7
1978	952.1	810.1	443.1	585.1	0.0385%	148.9	36.5	103.3	9.1	0	803.2
1977	837.8	731.3	411.9	518.4	0.0370%	113.6	20.8	89.3	3.5	0	724.2
1976	764.9	676.1	379.6	468.4	0.0370%	212.3	28.0	180.4[4]	3.9	0	552.6
1975	689.3	641.3	362.4	410.4	0.0357%	97.5	27.6	67.7	2.2	0	591.8
1974	668.1	587.4	285.4	366.1	0.0435%	159.2	97.9	59.2	2.1	0	508.9
1973	561.0	529.4	283.4	315.0	0.0385%	108.2	52.5	54.4	1.3	0	452.8
1972	467.0	468.8	280.3	278.5	0.0333%	65.7	10.1	49.6	6.0[5]	0	401.3
1971	415.3	417.2	241.4	239.5	0.0345%	60.3	13.4	46.9	0.0	0	355.0
1970	382.7	369.3	210.0	223.4	0.0357%	46.0	3.8	42.2	0.0	0	336.7
1969	335.8	364.2	220.2	191.8	0.0333%	34.5	1.0	33.5	0.0	0	301.3
1968	295.0	334.5	202.1	162.6	0.0333%	29.1	0.1	29.0	0.0	0	265.9
1967	263.0	303.1	182.4	142.3	0.0333%	27.3	2.9	24.4	0.0	0	235.7
1966	241.0	284.3	172.6	129.3	0.0323%	19.9	0.1	19.8	0.0	0	221.1
1965	214.6	260.5	158.3	112.4	0.0323%	22.9	5.2	17.7	0.0	0	191.7
1964	197.1	238.2	145.2	104.1	0.0323%	18.4	2.9	15.5	0.0	0	178.7
1963	181.9	220.6	136.4	97.7	0.0313%	15.1	0.7	14.4	0.0	0	166.8

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2011

DOLLARS IN MILLIONS — CONTINUED

	INCOME					EXPENSES AND LOSSES					
YEAR	TOTAL	ASSESSMENT INCOME	ASSESSMENT CREDITS	INVESTMENT AND OTHER	EFFECTIVE ASSESSMENT RATE[1]	TOTAL	PROVISION FOR INS. LOSSES	ADMIN. AND OPERATING EXPENSES[2]	INTEREST & OTHER INS. EXPENSES	FUNDING TRANSFER FROM THE FSLIC RESOLUTION FUND	NET INCOME/ (LOSS)
1962	161.1	203.4	126.9	84.6	0.0313%	13.8	0.1	13.7	0.0	0	147.3
1961	147.3	188.9	115.5	73.9	0.0323%	14.8	1.6	13.2	0.0	0	132.5
1960	144.6	180.4	100.8	65.0	0.0370%	12.5	0.1	12.4	0.0	0	132.1
1959	136.5	178.2	99.6	57.9	0.0370%	12.1	0.2	11.9	0.0	0	124.4
1958	126.8	166.8	93.0	53.0	0.0370%	11.6	0.0	11.6	0.0	0	115.2
1957	117.3	159.3	90.2	48.2	0.0357%	9.7	0.1	9.6	0.0	0	107.6
1956	111.9	155.5	87.3	43.7	0.0370%	9.4	0.3	9.1	0.0	0	102.5
1955	105.8	151.5	85.4	39.7	0.0370%	9.0	0.3	8.7	0.0	0	96.8
1954	99.7	144.2	81.8	37.3	0.0357%	7.8	0.1	7.7	0.0	0	91.9
1953	94.2	138.7	78.5	34.0	0.0357%	7.3	0.1	7.2	0.0	0	86.9
1952	88.6	131.0	73.7	31.3	0.0370%	7.8	0.8	7.0	0.0	0	80.8
1951	83.5	124.3	70.0	29.2	0.0370%	6.6	0.0	6.6	0.0	0	76.9
1950	84.8	122.9	68.7	30.6	0.0370%	7.8	1.4	6.4	0.0	0	77.0
1949	151.1	122.7	0.0	28.4	0.0833%	6.4	0.3	6.1	0.0	0	144.7
1948	145.6	119.3	0.0	26.3	0.0833%	7.0	0.7	6.3[6]	0.0	0	138.6
1947	157.5	114.4	0.0	43.1	0.0833%	9.9	0.1	9.8	0.0	0	147.6
1946	130.7	107.0	0.0	23.7	0.0833%	10.0	0.1	9.9	0.0	0	120.7
1945	121.0	93.7	0.0	27.3	0.0833%	9.4	0.1	9.3	0.0	0	111.6
1944	99.3	80.9	0.0	18.4	0.0833%	9.3	0.1	9.2	0.0	0	90.0
1943	86.6	70.0	0.0	16.6	0.0833%	9.8	0.2	9.6	0.0	0	76.8
1942	69.1	56.5	0.0	12.6	0.0833%	10.1	0.5	9.6	0.0	0	59.0
1941	62.0	51.4	0.0	10.6	0.0833%	10.1	0.6	9.5	0.0	0	51.9
1940	55.9	46.2	0.0	9.7	0.0833%	12.9	3.5	9.4	0.0	0	43.0
1939	51.2	40.7	0.0	10.5	0.0833%	16.4	7.2	9.2	0.0	0	34.8
1938	47.7	38.3	0.0	9.4	0.0833%	11.3	2.5	8.8	0.0	0	36.4

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2011

DOLLARS IN MILLIONS CONTINUED

	INCOME					EXPENSES AND LOSSES					
YEAR	TOTAL	ASSESSMENT INCOME	ASSESSMENT CREDITS	INVESTMENT AND OTHER	EFFECTIVE ASSESSMENT RATE[1]	TOTAL	PROVISION FOR INS. LOSSES	ADMIN. AND OPERATING EXPENSES[2]	INTEREST & OTHER INS. EXPENSES	FUNDING TRANSFER FROM THE FSLIC RESOLUTION FUND	NET INCOME/ (LOSS)
1937	48.2	38.8	0.0	9.4	0.0833%	12.2	3.7	8.5	0.0	0	36.0
1936	43.8	35.6	0.0	8.2	0.0833%	10.9	2.6	8.3	0.0	0	32.9
1935	20.8	11.5	0.0	9.3	0.0833%	11.3	2.8	8.5	0.0	0	9.5
1933-34	7.0	0.0	0.0	7.0	N/A	10.0	0.2	9.8	0.0	0	(3.0)

[1] Figures represent only BIF-insured institutions prior to 1990, BIF- and SAIF-insured institutions from 1990 through 2005, and DIF-insured institutions beginning in 2006. After 1995, all thrift closings became the reponsibility of the FDIC and amounts are reflected in the SAIF. The effective assessment rate is calculated from annual assessment income (net of assessment credits), excluding transfers to the Financing Corporation (FICO), Resolution Funding Corporation (REFCORP) and FSLIC Resolution Fund, divided by the four quarter average assessment base. The effective rates from 1950 through 1984 varied from the statutory rate of 0.0833 percent due to assessment credits provided in those years. The statutory rate increased to 0.12 percent in 1990 and to a minimum of 0.15 percent in 1991. The effective rates in 1991 and 1992 varied because the FDIC exercised new authority to increase assessments above the statutory minimum rate when needed. Beginning in 1993, the effective rate was based on a risk-related premium system under which institutions paid assessments in the range of 0.23 percent to 0.31 percent. In May 1995, the BIF reached the mandatory recapitalization level of 1.25 percent. As a result, BIF assessment rates were reduced to a range of 0.04 percent to 0.31 percent of assessable deposits, effective June 1995, and assessments totaling $1.5 billion were refunded in September 1995. Assessment rates for the BIF were lowered again to a range of 0 to 0.27 percent of assessable deposits, effective the start of 1996. In 1996, the SAIF collected a one-time special assessment of $4.5 billion. Subsequently, assessment rates for the SAIF were lowered to the same range as the BIF, effective October 1996. This range of rates remained unchanged for both funds through 2006. As part of the implementation of the Federal Deposit Insurance Reform Act of 2005, assessment rates were increased to a range of 0.05 percent to 0.43 percent of assessable deposits effective at the start of 2007, but many institutions received a one-time assessment credit ($4.7 billion in total) to offset the new assessments. On December 16, 2008, the FDIC Board of Directors (the "Board") adopted a final rule to temporarily increase assessment rates for the first quarter of 2009 to a range of 0.12 percent to 0.50 percent of assessable deposits. On February 27, 2009, the Board adopted a final rule effective April 1, 2009, setting initial base assessment rates to a range of 0.12 percent to 0.45 percent of assessable deposits. On June 30, 2009, a special assessment was imposed on all insured banks and thrifts, which amounted in aggregate to approximately $5.4 billion. For 8,106 institutions, with $9.3 trillion in assets, the special assessment was 5 basis points of each institution's assets minus tier one capital; 89 other institutions, with assets of $4.0 trillion, had their special asssessment capped at 10 basis points of their second quarter assessment base.

[2] These expenses, which are presented as operating expenses in the Statement of Income and Fund Balance, pertain to the FDIC in its corporate capacity only and do not include costs that are charged to the failed bank receiverships that are managed by the FDIC. The receivership expenses are presented as part of the "Receivables from Resolutions, net" line on the Balance Sheet. The narrative and graph presented in the "Corporate Planning and Budget" section of this report (page 127) show the aggregate (corporate and receivership) expenditures of the FDIC.

[3] Includes $210 million for the cumulative effect of an accounting change for certain postretirement benefits.

[4] Includes a $106 million net loss on government securities.

[5] This amount represents interest and other insurance expenses from 1933 to 1972.

[6] Includes the aggregate amount of $81 million of interest paid on capital stock between 1933 and 1948.

Number, Assets, Deposits, Losses, and Loss to Funds of Insured Thrifts Taken Over or Closed Because of Financial Difficulties, 1989 through 1995[1]

DOLLARS IN THOUSANDS

YEAR	TOTAL	ASSETS	DEPOSITS	ESTIMATED RECEIVERSHIP LOSS[2]	LOSS TO FUNDS[3]
Total	**748**	**$393,986,574**	**$317,501,978**	**$75,979,051**	**$81,577,711**
1995	2	423,819	414,692	28,192	27,750
1994	2	136,815	127,508	11,472	14,599
1993	10	6,147,962	4,881,461	267,595	65,212
1992	59	44,196,946	34,773,224	3,287,038	3,832,275
1991	144	78,898,904	65,173,122	9,235,975	9,734,271
1990	213	129,662,498	98,963,962	16,063,752	19,258,646
1989[4]	318	134,519,630	113,168,009	47,085,027	48,644,958

1 Beginning in 1989 through July 1, 1995, all thrift closings were the responsibility of the Resolution Trust Corporation (RTC). Since the RTC was terminated on December 31, 1995, and all assets and liabilities transferred to the FSLIC Resolution Fund (FRF), all the results of the thrift closing activity from 1989 through 1995 are now reflected on FRF's books. Year is the year of failure, not the year of resolution.

2 The estimated losses represent the projected loss at the fund level from receiverships for unreimbursed subrogated claims of the FRF and unpaid advances to receiverships from the FRF.

3 The Loss to Funds represents the total resolution cost of the failed thrifts in the FRF-RTC fund, which includes corporate revenue and expense items such as interest expense on Federal Financing Bank debt, interest expense on escrowed funds, and interest revenue on advances to receiverships, in addition to the estimated losses for receiverships.

4 Total for 1989 excludes nine failures of the former FSLIC.

FDIC-Insured Institutions Closed During 2011

DOLLARS IN THOUSANDS

CODES FOR BANK CLASS:

NM = State-chartered bank that is not a member of the Federal Reserve System	SB = Savings Bank	SM = State-chartered bank that is a member of the Federal Reserve System
N = National Bank	SI = Stock and Mutual Savings Bank	SA = Savings Association

NAME AND LOCATION	BANK CLASS	NUMBER OF DEPOSIT ACCOUNTS	TOTAL ASSETS[1]	TOTAL DEPOSITS[1]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	ESTIMATED LOSS TO THE DIF[2]	DATE OF CLOSING OR ACQUISITION	RECEIVER/ASSUMING BANK AND LOCATION
Purchase and Assumption – All Deposits								
The First National Bank of Davis Davis, OK	N	2,334	$90,183	$68,331	$117,515	$25,925	03/11/11	The Pauls Valley National Bank Pauls Valley, OK
Whole Bank Purchase and Assumption – All Deposits								
First Commercial Bank of Florida Orlando, FL	SM	14,657	$578,638	$537,223	$532,370	$113,687	01/07/11	First Southern Bank Boca Raton, FL
Legacy Bank Scottsdale, AZ	NM	1,262	$136,446	$119,685	$115,300	$39,529	01/07/11	Enterprise Bank and Trust St. Louis, MO
Oglethorpe Bank Brunswick, GA	NM	8,414	$211,149	$201,369	$199,988	$77,875	01/14/11	Bank of the Ozarks Little Rock, AR
Community South Bank and Trust Easley, SC	NM	13,832	$340,986	$314,250	$321,432	$65,732	01/21/11	CertusBank, National Association Easley, SC
The Bank of Asheville Asheville, NC	NM	10,489	$204,925	$199,394	$194,360	$58,361	01/21/11	First Bank Troy, NC
United Western Bank Denver, CO	SA	6,388	$2,153,690	$1,535,194	$1,628,067	$372,785	01/21/11	First-Citizens Bank and Trust Company Raleigh, NC
Evergreen State Bank Stoughton, WI	NM	7,084	$240,949	$193,694	$193,625	$37,690	01/28/11	MacFarland State Bank McFarland, WI
First Community Bank Taos, NM	SM	81,640	$2,188,154	$1,847,851	$1,815,138	$299,150	01/28/11	U.S. Bank, National Association Minneapolis, MN
First State Bank Camargo, OK	NM	1,528	$44,546	$41,204	$43,105	$35,122	01/28/11	Bank 7 Oklahoma City, OK
American Trust Bank Roswell, GA	NM	4,260	$238,205	$222,161	$225,382	$79,591	02/04/11	Renasant Bank Tupelo, MS
Community First Bank Chicago, IL	SM	1,404	$51,083	$49,504	$50,032	$17,456	02/04/11	Northbrook Bank and Trust Company Northbrook, IL

FDIC-Insured Institutions Closed During 2011

DOLLARS IN THOUSANDS

CONTINUED

CODES FOR BANK CLASS:

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NAME AND LOCATION	BANK CLASS	NUMBER OF DEPOSIT ACCOUNTS	TOTAL ASSETS[1]	TOTAL DEPOSITS[1]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	ESTIMATED LOSS TO THE DIF[2]	DATE OF CLOSING OR ACQUISITION	RECEIVER/ASSUMING BANK AND LOCATION
North Georgia Bank Watkinsville, GA	NM	3,833	$153,172	$139,672	$137,002	$54,619	02/04/11	BankSouth Greensboro, GA
Badger State Bank Cassville, WI	NM	5,386	$83,828	$78,549	$77,786	$20,798	02/11/11	Royal Bank Elroy, WI
Canyon National Bank Palm Springs, CA	N	9,588	$210,859	$205,285	$205,839	$19,065	02/11/11	Pacific Premier Bank Costa Mesa, CA
Peoples State Bank Hamtramck, MI	NM	21,775	$390,524	$389,868	$388,437	$134,570	02/11/11	First Michigan Bank Troy, MI
Sunshine State Community Bank Port Orange, FL	NM	8,387	$125,531	$116,715	$111,658	$34,884	02/11/11	Premier American Bank, N.A. Miami, FL
Charter Oak Bank Napa, CA	NM	2,416	$120,833	$105,309	$100,297	$25,905	02/18/11	Bank of Marin Novato, CA
Citizens Bank of Effingham Springfield, GA	NM	11,329	$214,275	$206,490	$208,501	$55,387	02/18/11	HeritageBank of the South Albany, GA
Habersham Bank Clarkesville, GA	NM	21,586	$387,681	$339,934	$342,242	$121,456	02/18/11	SCBT National Association Orangeburg, SC
San Luis Trust Bank, FSB San Luis Obispo, CA	SA	3,993	$332,596	$272,216	$272,049	$96,403	02/18/11	First California Bank Westlake Village, CA
Valley Community Bank St. Charles, IL	NM	6,176	$123,774	$124,179	$123,022	$30,277	02/25/11	First State Bank Mendota, IL
Legacy Bank Milwaukee, WI	SM	4,761	$190,418	$183,309	$199,694	$53,309	03/11/11	Seaway Bank and Trust Company Chicago, IL
The Bank of Commerce Wood Dale, IL	NM	3,139	$163,074	$161,379	$165,795	$47,322	03/25/11	Advantage National Bank Group Elk Grove Village, IL
Nevada Commerce Bank Las Vegas, NV	NM	1,601	$135,064	$128,573	$130,778	$39,818	04/08/11	City National Bank Los Angeles, CA
Western Springs National Bank and Trust Western Springs, IL	N	6,870	$186,677	$182,441	$185,555	$32,523	04/08/11	Heartland Bank and Trust Company Bloomington, IL

FDIC-Insured Institutions Closed During 2011

DOLLARS IN THOUSANDS

CONTINUED

CODES FOR BANK CLASS:

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NAME AND LOCATION	BANK CLASS	NUMBER OF DEPOSIT ACCOUNTS	TOTAL ASSETS[1]	TOTAL DEPOSITS[1]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	ESTIMATED LOSS TO THE DIF[2]	DATE OF CLOSING OR ACQUISITION	RECEIVER/ASSUMING BANK AND LOCATION
Bartow County Bank Cartersville, GA	NM	20,216	$314,019	$290,005	$290,241	$78,302	04/15/11	Hamilton State Bank Hoschton, GA
Heritage Banking Group Carthage, MS	NM	11,820	$228,328	$205,035	$205,753	$57,429	04/15/11	Trustmark National Bank Jackson, MS
New Horizons Bank East Ellijay, GA	NM	3,251	$103,055	$99,022	$99,562	$37,622	04/15/11	Citizens South Bank Gastonia, NC
Nexity Bank Birmingham, AL	NM	11,141	$757,574	$611,681	$609,677	$196,204	04/15/11	Alostar Bank of Commerce Birmingham, AL
Rosemount National Bank Rosemount, MN	N	2,887	$21,454	$20,980	$22,899	$8,986	04/15/11	Central Bank Stillwater, MN
Superior Bank Birmingham, AL	SA	110,217	$2,977,290	$2,736,201	$2,752,261	$276,107	04/15/11	Superior Bank, N.A. Birmingham, AL
Community Central Bank Mount Clemens, MI	NM	9,558	$451,683	$371,494	$359,734	$191,415	04/29/11	Talmer Bank & Trust Troy, MI
Cortez Community Bank Brooksville, FL	NM	2,751	$66,282	$65,439	$66,587	$26,709	04/29/11	Premier American Bank, N.A. Miami, FL
First Choice Community Bank Dallas, GA	NM	11,419	$291,196	$294,769	$295,306	$100,197	04/29/11	Bank of the Ozarks Little Rock, AR
First National Bank of Central Florida Winter Park, FL	N	7,247	$342,079	$308,784	$306,179	$53,519	04/29/11	Premier American Bank, N.A. Miami, FL
The Park Avenue Bank Valdosta, GA	SM	38,484	$849,409	$724,483	$694,752	$326,980	04/29/11	Bank of the Ozarks Little Rock, AR
Coastal Bank Cocoa Beach, FL	SA	3,880	$129,429	$123,950	$124,171	$20,561	05/06/11	Premier American Bank, N.A. Miami, FL
Atlantic Southern Bank Macon, GA	NM	22,000	$741,855	$707,643	$680,442	$279,539	05/20/11	CertusBank, N.A. Easley, SC
First Georgia Banking Co. Franklin, GA	NM	27,959	$730,981	$702,231	$672,275	$177,408	05/20/11	CertusBank, N.A. Easley, SC

FDIC-Insured Institutions Closed During 2011

DOLLARS IN THOUSANDS — **CONTINUED**

CODES FOR BANK CLASS:

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NAME AND LOCATION	BANK CLASS	NUMBER OF DEPOSIT ACCOUNTS	TOTAL ASSETS[1]	TOTAL DEPOSITS[1]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	ESTIMATED LOSS TO THE DIF[2]	DATE OF CLOSING OR ACQUISITION	RECEIVER/ASSUMING BANK AND LOCATION
Summit Bank Burlington, WA	NM	4,495	$142,729	$131,631	$127,373	$21,969	05/20/11	Columbia State Bank Tacoma, WA
First Heritage Bank Snohomish, WA	NM	9,427	$173,478	$163,303	$161,772	$41,368	05/27/11	Columbia State Bank Tacoma, WA
Atlantic Bank and Trust Charleston, SC	SA	3,996	$208,204	$191,614	$185,844	$44,145	06/03/11	First Citizens Bank and Trust Company, Inc. Columbia, SC
First Commercial Bank of Tampa Bay Tampa, FL	NM	2,163	$98,624	$92,641	$92,400	$34,940	06/17/11	Stonegate Bank Fort Lauderdale, FL
McIntosh State Bank Jackson, GA	NM	20,633	$339,929	$324,403	$312,588	$87,540	06/17/11	Hamilton State Bank Hoschton, GA
Mountain Heritage Bank Clayton, GA	NM	2,779	$103,716	$89,554	$91,032	$45,738	06/24/11	First American Bank and Trust Company Athens, GA
Colorado Capital Bank Castle Rock, CO	NM	7,078	$665,806	$635,202	$628,260	$287,099	07/08/11	First-Citizens Bank & Trust Company Raleigh, NC
First Chicago Bank and Trust Chicago, IL	SM	17,859	$896,864	$830,530	$834,519	$275,894	07/08/11	Northbrook Bank & Trust Company Northbrook, IL
Signature Bank Windsor, CO	NM	2,723	$62,518	$60,349	$61,752	$26,373	07/08/11	Points West Community Bank Julesburg, CO
First Peoples Bank Port Saint Lucie, FL	NM	8,323	$225,035	$207,621	$214,077	$12,387	07/15/11	Florida Community Bank, N.A. Miami, FL
High Trust Bank Stockbridge, GA	NM	2,440	$180,340	$177,221	$177,388	$70,381	07/15/11	Ameris Bank Moultrie, GA
One Georgia Bank Atlanta, GA	NM	1,861	$177,715	$158,123	$157,917	$48,939	07/15/11	Ameris Bank Moultrie, GA
Summit Bank Prescott, AZ	NM	2,455	$73,066	$67,471	$68,365	$15,428	07/15/11	The Foothills Bank Yuma, AZ

FDIC-Insured Institutions Closed During 2011

DOLLARS IN THOUSANDS

CONTINUED

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NAME AND LOCATION	BANK CLASS	NUMBER OF DEPOSIT ACCOUNTS	TOTAL ASSETS[1]	TOTAL DEPOSITS[1]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	ESTIMATED LOSS TO THE DIF[2]	DATE OF CLOSING OR ACQUISITION	RECEIVER/ASSUMING BANK AND LOCATION
Bank of Choice Greeley, CO	NM	33,194	$954,106	$818,670	$812,887	$216,810	07/22/11	Bank Midwest, N.A. Kansas City, MO
Landmark Bank of Florida Sarasota, FL	SM	7,972	$266,482	$244,362	$238,884	$38,542	07/22/11	American Momentum Bank Tampa, FL
Southshore Community Bank Apollo Beach, FL	NM	1,337	$41,252	$41,434	$42,091	$12,515	07/22/11	American Momentum Bank Tampa, FL
BankMeridian, N.A. Columbia, SC	N	3,650	$232,648	$209,737	$206,959	$69,114	07/29/11	SCBT National Association Orangeburg, SC
Integra Bank, N.A. Evansville, IN	N	140,008	$1,994,430	$1,693,592	$2,219,143	$205,874	07/29/11	Old National Bank Evansville, IN
Virginia Business Bank Richmond, VA	SM	581	$83,493	$72,955	$78,785	$21,523	07/29/11	Xenith Bank Richmond, VA
Bank of Shorewood Shorewood, IL	NM	6,681	$110,723	$104,021	$106,460	$29,692	08/05/11	Heartland Bank & Trust Company Bloomington, IL
Bank of Whitman Colfax, WA	SM	23,299	$548,570	$515,732	$498,979	$135,323	08/05/11	Columbia State Bank Tacoma, WA
First National Bank of Olathe Olathe, KS	N	27,367	$538,091	$524,290	$511,819	$119,472	08/12/11	Enterprise Bank & Trust Clayton, MO
Public Savings Bank Huntingdon Valley, PA	SB	904	$46,818	$45,770	$48,185	$14,982	08/18/11	Capital Bank, N.A. Rockville, MD
First Choice Bank Geneva, IL	NM	3,221	$141,016	$137,215	$131,111	$35,184	08/19/11	Inland Bank & Trust Oak Brook, IL
First Southern National Bank Stateboro, GA	N	8,873	$164,599	$159,673	$147,285	$43,901	08/19/11	Heritage Bank of the South Albany, GA
Lydian Private Bank Palm Beach, FL	SA	26,875	$1,700,117	$1,253,835	$1,277,109	$292,057	08/19/11	Sabadell United Bank, N.A. Miami, FL
Creekside Bank Woodstock, GA	NM	2,204	$102,338	$96,583	$98,591	$32,227	09/02/11	Georgia Commerce Bank Atlanta, GA
Patriot Bank of Georgia Cumming, GA	NM	2,468	$150,751	$140,612	$136,077	$48,986	09/02/11	Georgia Commerce Bank Atlanta, GA

FDIC-Insured Institutions Closed During 2011

DOLLARS IN THOUSANDS

CONTINUED

CODES FOR BANK CLASS:

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NAME AND LOCATION	BANK CLASS	NUMBER OF DEPOSIT ACCOUNTS	TOTAL ASSETS[1]	TOTAL DEPOSITS[1]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	ESTIMATED LOSS TO THE DIF[2]	DATE OF CLOSING OR ACQUISITION	RECEIVER/ASSUMING BANK AND LOCATION
The First National Bank of Florida Milton, FL	N	12,096	$296,841	$280,095	$248,052	$50,203	09/09/11	CharterBank West Point, GA
Bank of the Commonwealth Norfolk, VA	SM	20,383	$985,096	$901,845	$864,974	$268,111	09/23/11	Southern Bank & Trust Company Mount Olive, NC
Citizens Bank of Northern California Nevada City, CA	NM	16,248	$288,765	$253,079	$241,383	$41,053	09/23/11	Tri Counties Bank Chico, CA
First International Bank Plano, TX	NM	9,148	$239,916	$208,775	$205,505	$57,644	09/30/11	American First National Bank Houston, TX
The RiverBank Wyoming, MN	NM	31,327	$419,723	$384,120	$385,166	$74,971	10/07/11	Central Bank Stillwater, MN
Sun Security Bank Ellington, MO	NM	19,213	$351,492	$280,649	$282,436	$121,734	10/07/11	Great Southern Bank Springfield, MO
Blue Ridge Savings Bank, Inc. Asheville, NC	SB	5,503	$161,430	$159,628	$161,760	$41,985	10/14/11	Bank of North Carolina Thomasville, NC
Country Bank Aledo, IL	NM	6,476	$195,034	$180,835	$180,555	$67,225	10/14/11	Blackhawk Bank & Trust Milan, IL
First State Bank Cranford, NJ	NM	3,883	$191,852	$188,099	$190,497	$49,650	10/14/11	Northfield Bank Staten Island, NY
Piedmont Community Bank Gray, GA	NM	5,022	$198,993	$178,773	$177,419	$75,872	10/14/11	State Bank & Trust Company Macon, GA
Community Banks of Colorado Greenwood Village, CO	SM	52,119	$1,280,964	$1,239,630	$1,217,323	$227,340	10/21/11	Bank Midwest, N.A. Kansas City, MO
Community Capital Bank Jonesboro, GA	NM	4,032	$165,291	$157,808	$157,578	$66,293	10/21/11	State Bank & Trust Company Macon, GA
Decatur First Bank Decatur, GA	NM	8,213	$184,750	$172,042	$171,399	$36,898	10/21/11	Fidelity Bank Atlanta, GA

FDIC-Insured Institutions Closed During 2011

DOLLARS IN THOUSANDS

CONTINUED

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NAME AND LOCATION	BANK CLASS	NUMBER OF DEPOSIT ACCOUNTS	TOTAL ASSETS[1]	TOTAL DEPOSITS[1]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	ESTIMATED LOSS TO THE DIF[2]	DATE OF CLOSING OR ACQUISITION	RECEIVER/ASSUMING BANK AND LOCATION
Old Harbor Bank Clearwater, FL	NM	7,506	$209,048	$212,184	$211,246	$43,507	10/21/11	1st United Bank Boca Raton, FL
All American Bank Des Plaines, IL	NM	1,341	$34,800	$30,542	$32,075	$11,594	10/28/11	International Bank of Chicago Chicago, IL
Mid City Bank, Inc. Omaha, NE	NM	6,638	$106,075	$105,461	$102,662	$17,390	11/04/11	Premier Bank Purdum, NE
SunFirst Bank Saint George, UT	NM	4,862	$198,081	$169,135	$150,980	$53,230	11/04/11	Cache Valley Bank Logan, UT
Community Bank of Rockmart Rockmart, GA	NM	2,567	$62,383	$55,906	$57,481	$18,898	11/11/11	Century Bank of Georgia Cartersville, GA
Central Progressive Bank Lacombe, LA	NM	26,761	$383,132	$347,720	$346,598	$61,919	11/18/11	First NBC Bank New Orleans, LA
Polk County Bank Johnston, IA	NM	7,112	$91,580	$81,967	$82,181	$17,339	11/18/11	Grinnell State Bank Grinnell, IA
Premier Community Bank of the Emerald Coast Crestview, FL	NM	2,782	$125,976	$112,050	$111,322	$35,512	12/16/11	Summit Bank, N.A. Panama City, FL
Western National Bank Phoenix, AZ	N	2,678	$162,872	$144,491	$145,903	$42,869	12/16/11	Washington Federal Seattle, WA
Insured Deposit Transfer/Purchase & Assumption								
Enterprise Banking Co. McDonough, GA	NM	2,173	$99,461	$94,591	$106,020	$44,600	01/21/11	Federal Deposit Insurance Corporation
FirsTier Bank Louisville, CO	NM	10,399	$764,090	$718,797	$768,384	$270,815	01/28/11	Federal Deposit Insurance Corporation

[1] Total Assets and Total Deposits data is based upon the last Call Report filed by the institution prior to failure.

[2] Estimated losses are as of 12/31/11. Estimated losses are routinely adjusted with updated information from new appraisals and asset sales, which ultimately affect the asset values and projected recoveries. Represents the estimated loss to the DIF from deposit insurance obligations. This amount does not include the estimated loss allocable to the Transaction Account Guarantee and Debt Guarantee Program claims.

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934 - 2011

DOLLARS IN THOUSANDS

Bank and Thrift Failures[1]

YEAR [2]	NUMBER OF BANKS / THRIFTS	TOTAL ASSETS[3]	TOTAL DEPOSITS[3]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	RECOVERIES	ESTIMATED ADDITIONAL RECOVERIES	ESTIMATED LOSSES
	2,509	**$914,003,552**	**$685,069,066**	**$561,016,616**	**$390,577,746**	**$48,373,749**	**$122,065,121**
2011	92	34,922,997	31,071,862	31,531,359	910,708	22,675,379	7,945,272
2010[4]	157	92,084,987	79,548,141	82,172,287	49,268,600	9,999,848	22,903,839
2009[4]	140	169,709,160	137,067,132	135,863,380	85,330,857	11,800,273	38,732,250
2008[4]	25	371,945,480	234,321,715	205,431,491	182,605,479	2,651,137	20,174,875
2007	3	2,614,928	2,424,187	1,917,408	1,368,679	343,954	204,775
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	4	170,099	156,733	138,912	134,978	17	3,917
2003	3	947,317	901,978	883,772	812,933	8,192	62,647
2002	11	2,872,720	2,512,834	2,126,922	1,689,034	68,928	368,960
2001	4	1,821,760	1,661,214	1,605,191	1,128,577	180,378	296,236
2000	7	410,160	342,584	297,313	265,175	0	32,138
1999	8	1,592,189	1,320,573	1,307,226	711,758	4,584	590,884
1998	3	290,238	260,675	292,686	58,248	11,608	222,830
1997	1	27,923	27,511	25,546	20,520	0	5,026
1996	6	232,634	230,390	201,533	140,918	0	60,615
1995	6	802,124	776,387	609,043	524,571	0	84,472
1994	13	1,463,874	1,397,018	1,224,769	1,045,718	0	179,051
1993	41	3,828,939	3,509,341	3,841,658	3,209,012	0	632,646
1992	120	45,357,237	39,921,310	14,540,882	10,866,745	110	3,674,027
1991	124	64,556,512	52,972,034	21,499,236	15,656,282	629,341	5,213,613
1990	168	16,923,462	15,124,454	10,812,484	8,040,995	0	2,771,489
1989	206	28,930,572	24,152,468	11,443,281	5,247,995	0	6,195,286
1988	200	38,402,475	26,524,014	10,432,655	5,055,158	0	5,377,497
1987	184	6,928,889	6,599,180	4,876,994	3,014,502	0	1,862,492
1986	138	7,356,544	6,638,903	4,632,121	2,949,583	0	1,682,538
1985	116	3,090,897	2,889,801	2,154,955	1,506,776	0	648,179

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934 - 2011

DOLLARS IN THOUSANDS — CONTINUED

Bank and Thrift Failures[1]

YEAR [2]	NUMBER OF BANKS / THRIFTS	TOTAL ASSETS[3]	TOTAL DEPOSITS[3]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	RECOVERIES	ESTIMATED ADDITIONAL RECOVERIES	ESTIMATED LOSSES
1984	78	2,962,179	2,665,797	2,165,036	1,641,157	0	523,879
1983	44	3,580,132	2,832,184	3,042,392	1,973,037	0	1,069,355
1982	32	1,213,316	1,056,483	545,612	419,825	0	125,787
1981	7	108,749	100,154	114,944	105,956	0	8,988
1980	10	239,316	219,890	152,355	121,675	0	30,680
1934 – 1979	558	8,615,743	5,842,119	5,133,173	4,752,295	0	380,878

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934 - 2011

DOLLARS IN THOUSANDS — CONTINUED

Assistance Transactions

YEAR [2]	NUMBER OF BANKS / THRIFTS	TOTAL ASSETS[3]	TOTAL DEPOSITS[3]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	RECOVERIES	ESTIMATED ADDITIONAL RECOVERIES	ESTIMATED LOSSES
	154	**$3,317,099,253**	**$1,442,173,417**	**$11,630,356**	**$6,199,875**	**$0**	**$5,430,481**
2011[5]	0	0	0	0	0	0	0
2010[5]	0	0	0	0	0	0	0
2009[5]	8	1,917,482,183	1,090,318,282	0	0	0	0
2008[5]	5	1,306,041,994	280,806,966	0	0	0	0
2007	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0
1995	0	0	0	0	0	0	0
1994	0	0	0	0	0	0	0
1993	0	0	0	0	0	0	0
1992	2	33,831	33,117	1,486	1,236	0	250
1991	3	78,524	75,720	6,117	3,093	0	3,024
1990	1	14,206	14,628	4,935	2,597	0	2,338
1989	1	4,438	6,396	2,548	252	0	2,296
1988	80	15,493,939	11,793,702	1,730,351	189,709	0	1,540,642
1987	19	2,478,124	2,275,642	160,877	713	0	160,164
1986	7	712,558	585,248	158,848	65,669	0	93,179

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934 - 2011

DOLLARS IN THOUSANDS — CONTINUED

Assistance Transactions

YEAR [2]	NUMBER OF BANKS / THRIFTS	TOTAL ASSETS[3]	TOTAL DEPOSITS[3]	INSURED DEPOSIT FUNDING AND OTHER DISBURSEMENTS	RECOVERIES	ESTIMATED ADDITIONAL RECOVERIES	ESTIMATED LOSSES
1985	4	5,886,381	5,580,359	765,732	406,676	0	359,056
1984	2	40,470,332	29,088,247	5,531,179	4,414,904	0	1,116,275
1983	4	3,611,549	3,011,406	764,690	427,007	0	337,683
1982	10	10,509,286	9,118,382	1,729,538	686,754	0	1,042,784
1981	3	4,838,612	3,914,268	774,055	1,265	0	772,790
1980	1	7,953,042	5,001,755	0	0	0	0
1934 – 1979	4	1,490,254	549,299	0	0	0	0

[1] Institutions closed by the FDIC, including deposit payoff, insured deposit transfer, and deposit assumption cases.

[2] For 1990 through 2005, amounts represent the sum of BIF and SAIF failures (excluding those handled by the RTC); prior to1990, figures are only for the BIF. After 1995, all thrift closings became the responsibility of the FDIC and amounts are reflected in the SAIF. For 2006 to 2011, figures are for the DIF.

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

[4] Includes amounts related to transaction account coverage under the Transaction Account Guarantee Program (TAG). The estimated losses as of 12/31/10 for TAG accounts in 2010, 2009, and 2008 are $571 million, $1,639 million, and $19 million, respectively.

[5] Includes institutions where assistance was provided under a systemic risk determination. Any costs that exceed the amounts estimated under the least cost resolution requirement would be recovered through a special assessment on all FDIC-insured institutions.

B. MORE ABOUT THE FDIC

FDIC Board of Directors

Seated *(left to right)*: John Walsh, Martin J. Gruenberg, Thomas J. Curry

Martin J. Gruenberg

Martin J. Gruenberg became the Acting Chairman of the FDIC upon the resignation of Chairman Sheila C. Bair on July 8, 2011. Mr. Gruenberg was sworn in as Vice Chairman of the FDIC Board of Directors on August 22, 2005. Upon the resignation of Chairman Donald Powell, he also served as Acting Chairman from November 15, 2005, to June 26, 2006. On November 2, 2007, Mr. Gruenberg was named Chairman of the Executive Council and President of the International Association of Deposit Insurers (IADI).

Mr. Gruenberg joined the FDIC Board after broad congressional experience in the financial services and regulatory areas. He served as Senior Counsel to Senator Paul S. Sarbanes (D-MD) on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from 1993 to 2005. Mr. Gruenberg advised the Senator on issues of domestic and international financial regulation, monetary policy and trade. He also served as Staff Director of the Banking Committee's Subcommittee on International Finance and Monetary Policy from 1987 to 1992. Major legislation in which Mr. Gruenberg played an active role during his service on the Committee includes the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), the Gramm-Leach-Bliley Act, and the Sarbanes-Oxley Act of 2002.

Mr. Gruenberg holds a J.D. from Case Western Reserve Law School and an A.B. from Princeton University, Woodrow Wilson School of Public and International Affairs.

Thomas J. Curry

Thomas J. Curry took office on January 12, 2004, as a member of the Board of Directors of the Federal Deposit Insurance Corporation. Mr. Curry served as Chairman of the FDIC's Assessment Appeals Committee and Case Review Committee. He also served as Chairman of the Audit Committee and the Supervision Appeals Review Committee for the latter half of 2011 and into 2012.

Mr. Curry also serves as the Chairman of the NeighborWorks®America Board of Directors. NeighborWorks®America is a national nonprofit organization chartered by Congress to provide financial support, technical assistance, and training for community-based neighborhood revitalization efforts.

Prior to joining the FDIC's Board of Directors, Mr. Curry served five Massachusetts Governors as the Commonwealth's Commissioner of Banks from 1990 to 1991 and from 1995 to 2003. He served as Acting Commissioner from February 1994 to June 1995. He previously served as First Deputy Commissioner and Assistant General Counsel within the Massachusetts Division of Banks. He entered state government in 1982 as an attorney with the Massachusetts' Secretary of State's Office.

Director Curry served as the Chairman of the Conference of State Bank Supervisors from 2000 to 2001. He served two terms on the State Liaison Committee of the Federal Financial Institutions Examination Council, including a term as Committee chairman.

He is a graduate of Manhattan College (summa cum laude), where he was elected to Phi Beta Kappa. He received his law degree from the New England School of Law.

John Walsh

John Walsh became Acting Comptroller of the Office of the Comptroller of the Currency (OCC) on August 15, 2010. He also served on the FDIC Board of Directors and as a board member of NeighborWorks®America. Mr. Walsh joined the OCC in October 2005 and previously served as Chief of Staff and Public Affairs.

Prior to joining the OCC, Mr. Walsh was the Executive Director of the Group of Thirty, a consultative group that focuses on international economic and monetary affairs. He joined the Group in 1992, and became Executive Director in 1995. Mr. Walsh served on the Senate Banking Committee from 1986 to 1992, and as an international economist for the U.S. Department of the Treasury from 1984 to 1986. Mr. Walsh also served with the Office of Management and Budget as an international program analyst, with the Mutual Broadcasting System, and in the U.S. Peace Corps in Ghana.

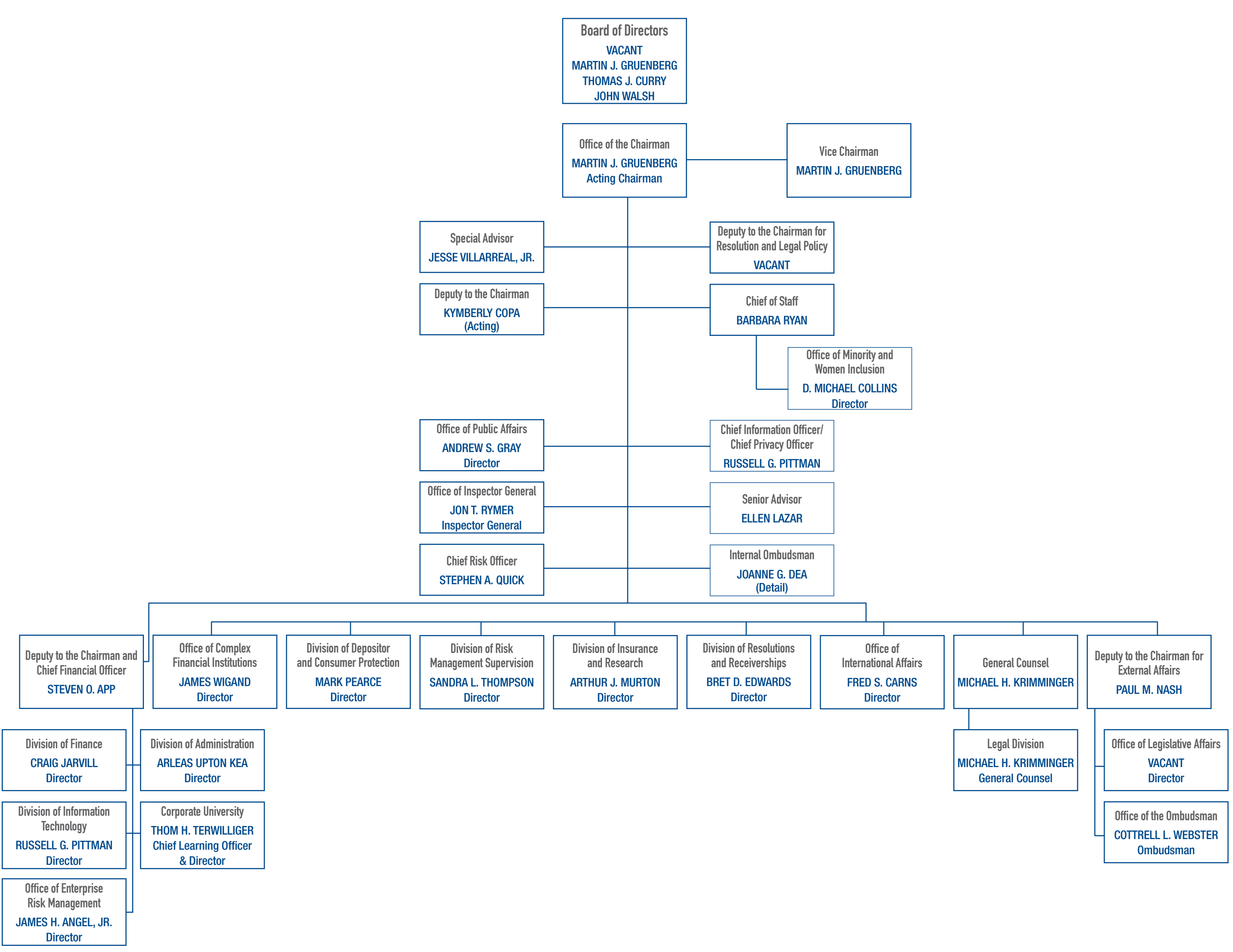
Mr. Walsh holds a masters' degree in public policy from the Kennedy School of Government, Harvard University (1978), and graduated magna cum laude from the University of Notre Dame in 1973. He lives in Catonsville, Maryland, and is married with four children.

Subsequent Events Affecting the FDIC Board of Directors

The following events occurred after year-end 2011. On January 4, 2012, Richard Cordray was sworn in as the first Director of the Consumer Financial Protection Bureau, and joined the FDIC Board of Directors. On April 9, 2012, Thomas Curry was sworn in as the 30th Comptroller of the Currency, succeeding John Walsh, and remains a Board member. On April 16, 2012, Thomas Hoenig and Jeremiah Norton were sworn in as internal members of the Board.

FDIC ORGANIZATION CHART/OFFICIALS

AS OF DECEMBER 31, 2011



Corporate Staffing
Staffing Trends 2002-2011

Note: 2008-2011 staffing totals reflect year-end full time equivalent staff. Prior to 2008, staffing totals reflect total employees on board.

Number of Employees by Division/Office 2010 and 2011 (Year-End)[1]

DIVISION OR OFFICE	TOTAL		WASHINGTON		REGIONAL/FIELD	
	2011	2010	2011	2010	2011	2010
Division of Supervision and Consumer Protection	0	3,648	0	378	0	3,270
Division of Risk Management Supervision	2,900	0	168	0	2,732	0
Division of Depositor and Consumer Protection	819	1	95	1	724	0
Subtotal Supervision and Consumer Protection Divisions	**3,719**	**3,649**	**263**	**379**	**3,456**	**3,270**
Division of Resolutions and Receiverships	1,811	2,109	139	154	1,672	1,955
Legal Division	774	805	354	352	420	453
Division of Administration	431	430	243	265	188	165
Division of Information Technology	354	328	271	245	83	83
Corporate University	176	207	163	199	13	8
Division of Insurance and Research	185	203	134	173	51	30
Division of Finance	163	165	158	165	5	0
Office of Inspector General	117	128	77	92	40	36
Office of Complex Financial Institutions	115	1	64	1	51	0
Executive Offices[2]	55	55	55	55	0	0
Office of the Ombudsman	29	31	12	12	17	19
Office of Minority and Women Inclusion[3]	30	26	30	26	0	0
Office of Enterprise Risk Management	14	13	14	13	0	0
Total	**7,973**	**8,150**	**1,977**	**2,131**	**5,996**	**6,019**

[1] The FDIC reports staffing totals using a full-time equivalent (FTE) methodology, which is based on an employee's scheduled work hours. Division/Office staffing has been rounded to the nearest whole FTE.

[2] Includes the Offices of the Chairman, Vice Chairman, Director (Appointive), Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Legislative Affairs, Public Affairs, International Affairs, Corporate Risk Management and External Affairs.

[3] Previously the Office of Diversity and Economic Opportunity.

SOURCES OF INFORMATION

FDIC WEBSITE

www.fdic.gov

A wide range of banking, consumer and financial information is available on the FDIC's website. This includes the FDIC's Electronic Deposit Insurance Estimator (EDIE), which estimates an individual's deposit insurance coverage; the Institution Directory, which contains financial profiles of FDIC-insured institutions; Community Reinvestment Act evaluations and ratings for institutions supervised by the FDIC; Call Reports, which are banks' reports of condition and income; and *Money Smart*, a training program to help individuals outside the financial mainstream enhance their money management skills and create positive banking relationships. Readers also can access a variety of consumer pamphlets, FDIC press releases, speeches, and other updates on the agency's activities, as well as corporate databases and customized reports of FDIC and banking industry information.

FDIC CALL CENTER

PHONE: 877-275-3342 (877-ASK-FDIC)
703-562-2222

HEARING IMPAIRED: 800-925-4618
703-562-2289

The FDIC Call Center in Washington, DC, is the primary telephone point of contact for general questions from the banking community, the public, and FDIC employees. The Call Center directly, or in concert with other FDIC subject-matter experts, responds to questions about deposit insurance and other consumer issues and concerns, as well as questions about FDIC programs and activities. The Call Center also refers callers to other federal and state agencies as needed. Hours of operation are 8:00 a.m. to 8:00 p.m., Eastern Time, Monday – Friday, and 9:00 a.m. to 5:00 p.m., Saturday – Sunday. Recorded information about deposit insurance and other topics is available twenty-four hours a day at the same telephone number.

As a customer service, the FDIC Call Center has many bilingual Spanish agents on staff and has access to a translation service able to assist with over forty different languages.

PUBLIC INFORMATION CENTER

3501 Fairfax Drive
Room E-1021
Arlington, VA 22226

PHONE: 877-275-3342 (877-ASK-FDIC)
703-562-2200

FAX: 703-562-2296

FDIC ONLINE CATALOG:
https://vcart.velocitypayment.com/fdic/

E-MAIL: **publicinfo@fdic.gov**

Publications such as *FDIC Quarterly*, *Consumer News*, and a variety of deposit insurance and consumer pamphlets are available at **www.fdic.gov** or may be ordered in hard copy through the FDIC online catalog. Other information, press releases, speeches and congressional testimony, directives to financial institutions, policy manuals, and FDIC documents are available on request through the Public Information Center. Hours of operation are 9:00 a.m. to 4:00 p.m., Eastern Time, Monday – Friday.

OFFICE OF THE OMBUDSMAN

3501 Fairfax Drive
Room E-2022
Arlington, VA 22226

PHONE: 877-275-3342 (877-ASK-FDIC)

FAX: 703-562-6057

E-MAIL: **ombudsman@fdic.gov**

The Office of the Ombudsman (OO) is an independent, neutral, and confidential resource and liaison for the banking industry and the general public. The OO responds to inquiries about the FDIC in a fair, impartial, and timely manner. It researches questions and fields complaints from bankers and bank customers. OO representatives are present at all bank closings to provide accurate information to bank customers, the media, bank employees, and the general public. The OO also recommends ways to improve FDIC operations, regulations, and customer service.

REGIONAL AND AREA OFFICES

ATLANTA REGIONAL OFFICE

10 Tenth Street, NE
Suite 800
Atlanta, Georgia 30309
(678) 916-2200

Alabama
Florida
Georgia
North Carolina
South Carolina
Virginia
West Virginia

CHICAGO REGIONAL OFFICE

300 South Riverside Plaza
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Chicago, Illinois 60606
(312) 382-6000

Illinois
Indiana
Kentucky
Michigan
Ohio
Wisconsin

DALLAS REGIONAL OFFICE

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Colorado
New Mexico
Oklahoma
Texas

MEMPHIS AREA OFFICE

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Arkansas
Louisiana
Mississippi
Tennessee

KANSAS CITY REGIONAL OFFICE

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(816) 234-8000

Iowa
Kansas
Minnesota
Missouri
Nebraska
North Dakota
South Dakota

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New York, New York 10118
(917) 320-2500

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District of Columbia
Maryland
New Jersey
New York
Pennsylvania
Puerto Rico
Virgin Islands

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Connecticut
Maine
Massachusetts
New Hampshire
Rhode Island
Vermont

SAN FRANCISCO REGIONAL OFFICE

25 Jessie Street at Ecker Square
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San Francisco, California 94105
(415) 546-0160

Alaska
Arizona
California
Guam
Hawaii
Idaho
Montana
Nevada
Oregon
Utah
Washington
Wyoming

C. OFFICE OF INSPECTOR GENERAL'S ASSESSMENT OF THE MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE FDIC

Under the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is required to identify the most significant management and performance challenges facing the Corporation and provide its assessment to the Corporation for inclusion in the FDIC's annual performance and accountability report. The OIG conducts this assessment annually and identifies specific areas of challenge facing the Corporation at the time. In identifying the challenges, the OIG keeps in mind the Corporation's overall program and operational responsibilities; financial industry, economic, and technological conditions and trends; areas of congressional interest and concern; relevant laws and regulations; the Chairman's priorities and corresponding corporate goals; and the ongoing activities to address the issues involved.

In looking at the recent past and the current environment and anticipating—to the extent possible—what the future holds, the OIG believes that the FDIC faces challenges in the areas listed below. While the Corporation will sustain its efforts to maintain public confidence and stability, particularly as it continues to implement key provisions and authorities of the Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), challenges will persist in other areas as well. We note in particular that the Corporation is continuing to carry out a massive resolution and receivership workload and at the same time is assuming a new resolution authority. Concurrently, the FDIC faces challenges in meeting its deposit insurance responsibilities, supervising financial institutions, protecting consumers, and managing its workforce and other corporate resources. It is conducting all of these activities in a corporate environment that has substantially changed over the past year and one that remains in constant flux.

As the FDIC and the banking industry emerge from the most severe crisis since the 1930s, the Corporation can take pride in having helped restore stability and confidence in the nation's banking system. It has completed or sustained a number of new initiatives, responded to new demands, and played a key part in shaping bank regulation for the post-crisis period. Passage of the Dodd-Frank Act has presented new opportunities and challenges for the FDIC in its efforts to restore the vitality and stability of the financial system, and the Corporation has met these head-on. Perhaps the biggest uncertainty, and the backdrop against which the FDIC will operate going forward, is whether the U.S. economy can sustain current economic growth and what impact the outlook in Europe will have on the banking and financial services industry in the months ahead.

CARRYING OUT NEW RESOLUTION AUTHORITY

Reforms under the Dodd-Frank Act involve far-reaching changes designed to restore market discipline, internalize the costs of risk-taking, protect consumers, and make the regulatory process more attuned to systemic risks. The Dodd-Frank Act created the Financial Stability Oversight Council (FSOC), of which the FDIC is a voting member. The FSOC monitors sources of systemic risk and promulgates rules that will be implemented by the various financial regulators represented on the FSOC. The Dodd-Frank Act also established an independent Consumer Financial Protection Bureau (CFPB) within the Federal Reserve System; abolished the Office of Thrift Supervision (OTS) and transferred its supervisory responsibilities for federal and state-chartered thrift institutions and thrift holding companies to the Office of the Comptroller of the Currency (OCC), the FDIC, and the Federal Reserve System, respectively; and has given the FDIC significant new authorities to help address the risks in systemically important financial companies or institutions (SIFIs).

To carry out its most critical responsibilities under the Dodd-Frank Act in an effective and credible manner, the FDIC established its Office of Complex Financial Institutions (OCFI). This office continues to establish

itself and will face challenges during the upcoming year as it continues to evolve. New responsibilities for OCFI in connection with SIFIs include an Orderly Liquidation Authority to resolve bank holding companies and non-bank financial institutions, if necessary, and a requirement for resolution plans that will give regulators additional tools with which to manage the failure of large, complex enterprises. The FDIC's OCFI has taken steps in three key areas over the past year to carry out these responsibilities—monitoring risk within and across these large, complex firms from the standpoint of resolution; conducting resolution planning and developing strategies to respond to potential crisis situations; and coordinating with regulators overseas regarding the significant challenges associated with cross-border resolution.

OCFI has also been developing its own resolution plans in order to be ready to resolve a failing systemic financial company. These internal FDIC resolution plans—developed pursuant to the Orderly Liquidation Authority, provided under Title II of the Dodd-Frank Act—apply many of the same powers that the FDIC has long used to manage failed-bank receiverships to a failing SIFI. If the FDIC is appointed as receiver of such an institution, it will be required to carry out an orderly liquidation in a manner that maximizes the value of the company's assets and ensures that creditors and shareholders appropriately bear any losses. The goal is to close the institution without putting the financial system at risk.

According to the Acting Chairman of the FDIC, this internal resolution planning work is the foundation of the FDIC's implementation of its new responsibilities under the Dodd-Frank Act. In addition, the FDIC has largely completed the extensive related rulemaking necessary to carry out its responsibilities under Dodd-Frank. Notwithstanding such progress, the coming months will be challenging for the FDIC and all of the regulatory agencies as they work collaboratively to reposition themselves to carry out the mandates of the Dodd-Frank Act, continuing to develop rules to implement key sections, and undertaking their new responsibilities as members of the FSOC.

RESOLVING FAILED INSTITUTIONS AND MANAGING RECEIVERSHIPS

In addition to the future challenges associated with exercising this new resolution authority, the Corporation is currently dealing with a daunting resolution and receivership workload. As of December 31, 2011, approximately 415 institutions had failed during the crisis, with total assets at inception of $664.3 billion. Estimated losses resulting from the failures total approximately $86.3 billion. As of year-end 2011, the number of institutions on the FDIC's "Problem List" was 813, with $319.4 billion in assets, indicating the potential of more failures to come and corresponding challenges with regard to management and disposition of failed bank assets.

Franchise marketing activities are at the heart of the FDIC's resolution and receivership work, and as failures persist, continue to challenge the Corporation. The FDIC must determine and pursue the least costly resolution to the Deposit Insurance Fund (DIF) for each failing institution. Each failing institution is subject to the FDIC's franchise marketing process, which includes valuation, marketing, bidding and bid evaluation, and sale components. The FDIC is often able to market institutions such that all deposits, not just insured deposits, are purchased by acquiring institutions, thus avoiding losses to uninsured depositors.

Of special note, through purchase and assumption (P&A) agreements with acquiring institutions, the Corporation has entered into 272 shared-loss agreements (SLA) involving about $209.4 billion in initial covered assets. Under these agreements, the FDIC agrees to absorb a portion of the loss—generally 80-95 percent—which may be experienced by the acquiring institution with regard to those assets, for a period of up to 10 years. In addition, the FDIC has entered into 31 structured asset sales to dispose of about $25.4 billion in assets. Under these arrangements,

the FDIC retains a participation interest in future net positive cash flows derived from third-party management of these assets.

Other post-closing asset management activities will continue to require much FDIC attention. FDIC receiverships manage assets from failed institutions, mostly those that are not purchased by acquiring institutions through P&A agreements or involved in structured sales. As of year-end 2011, the FDIC was managing 426 receiverships holding about $28.5 billion in assets, mostly securities, delinquent commercial real-estate and single-family loans, and participation loans. Post-closing asset managers are responsible for managing many of these assets and rely on receivership assistance contractors to perform day-to-day asset management functions. Since these loans are often sub-performing or nonperforming, workout and asset disposition efforts are intensive.

The FDIC increased its permanent resolution and receivership staffing and significantly increased its reliance on contractor and term employees to fulfill the critical resolution and receivership responsibilities associated with the ongoing FDIC interest in the assets of failed financial institutions. At the end of 2008, on-board resolution and receivership staff totaled 491, while on-board staffing as of November 30, 2011 was 1,858. As of year-end 2010, the dollar value of contracts awarded in the resolution and receivership functions accounted for approximately $2.4 billion of the total value of $2.6 billion. As of December 31, 2011, the dollar value of such contracts awarded for 2011 totaled $1.2 billion of a total $1.4 billion for all contracts.

The significant surge in failed-bank assets and associated contracting activities will continue to require effective and efficient contractor oversight management and technical monitoring functions. Bringing on so many contractors and new employees in a short period of time can strain existing controls and administrative resources in such areas as employee background checks, for example, which, if not timely and properly executed, can compromise the integrity of FDIC programs and operations.

ENSURING AND MAINTAINING THE VIABILITY OF THE DEPOSIT INSURANCE FUND

Federal deposit insurance remains at the heart of the FDIC's commitment to maintain stability and public confidence in the nation's financial system. With enactment of the Emergency Economic Stabilization Act of 2008, the limit of the basic FDIC deposit insurance coverage was raised temporarily from $100,000 to $250,000 per depositor, through December 31, 2009. Such coverage was subsequently extended through December 31, 2013, and the Dodd-Frank Act made permanent the increase in the coverage limit to $250,000. It also provided deposit insurance coverage on the entire balance of non-interest bearing transaction accounts at all insured depository institutions until December 31, 2012. A priority and ongoing challenge for the FDIC is to ensure that the DIF remains viable to protect all insured depositors. To maintain sufficient DIF balances, the FDIC collects risk-based insurance premiums from insured institutions and invests deposit insurance funds.

Since year-end 2007, the failure of FDIC-insured institutions has imposed total estimated losses of more than $86 billion on the DIF. The sharp increase in bank failures over the past several years caused the fund balance to become negative. The DIF balance turned negative in the third quarter of 2009 and hit a low of negative $20.9 billion in the following quarter. As the DIF balance declined, the FDIC adopted a statutorily required Restoration Plan and increased assessments to handle the high volume of failures and begin replenishing the fund. The FDIC increased assessment rates at the beginning of 2009. In June 2009, the FDIC imposed a special assessment that brought in additional funding from the banking industry. Further, in December 2009, to increase the FDIC's liquidity, the FDIC required that the industry prepay almost $46 billion in assessments, representing over 3 years of estimated assessments.

Since the FDIC imposed these measures, the DIF balance has steadily improved. It increased throughout 2010 and stood at negative $1.0 billion as of March 31, 2011. During the second quarter of 2011, the fund rose to a positive $3.9 billion. Under the Restoration Plan for the DIF, the FDIC has put in place assessment rates necessary to achieve a reserve ratio (the ratio of the fund balance to estimated insured deposits) of 1.35 percent by September 30, 2020, as the Dodd-Frank Act requires. FDIC analysis of the past two banking crises has shown that the DIF reserve ratio must be 2 percent or higher in advance of a banking crisis to avoid high deposit insurance assessment rates when banking institutions are strained and least able to pay. Consequently, the FDIC established a 2-percent reserve ratio target as a critical component of its long-term fund management strategy.

The FDIC has also implemented the Dodd-Frank Act requirement to redefine the base used for deposit insurance assessments as average consolidated total assets minus average tangible equity rather than an assessment based on domestic deposits. The FDIC does not expect this change to materially affect the overall amount of assessment revenue that otherwise would have been collected. However, as Congress intended, the change in the assessment base will generally shift some of the overall assessment burden from community banks to the largest institutions, which rely less on domestic deposits for their funding than do smaller institutions. The result will be a sharing of the assessment burden that better reflects each group's share of industry assets. The FDIC estimates that aggregate premiums paid by institutions with less than $10 billion in assets will decline by approximately 30 percent, primarily due to the assessment base change.

The FDIC, in cooperation with the other primary federal regulators, proactively identifies and evaluates the risk and financial condition of every insured depository institution. The FDIC also identifies broader economic and financial risk factors that affect all insured institutions. The FDIC is committed to providing accurate and timely bank data related to the financial condition of the banking industry. Industry-wide trends and risks are communicated to the financial industry, its supervisors, and policymakers through a variety of regularly produced publications and ad hoc reports. Risk-management activities include approving the entry of new institutions into the deposit insurance system, off-site risk analysis, assessment of risk-based premiums, and special insurance examinations and enforcement actions. In light of increasing globalization and the interdependence of financial and economic systems, the FDIC also supports the development and maintenance of effective deposit insurance and banking systems world-wide.

Primary responsibility for identifying and managing risks to the DIF lies with the FDIC's Division of Insurance and Research (DIR), Division of Risk Management Supervision (RMS), Division of Resolutions and Receiverships, and now OCFI. The FDIC's new Chief Risk Officer will also play a key role in identifying risks, and his office will have a greater role to play in the months ahead. To help integrate the risk management process, the Board authorized the creation of an Enterprise Risk Committee, as a cross-divisional body to coordinate risk assessment and response across the Corporation. Also, a Risk Analysis Center monitors emerging risks and recommends responses to the National Risk Committee. In addition, a Financial Risk Committee focuses on how risks impact the DIF and financial reporting. Challenges going forward will include efficiently and effectively leveraging the risk insights of all involved in corporate risk management activities.

Over recent years, the consolidation of the banking industry resulted in fewer and fewer financial institutions controlling an ever-expanding percentage of the nation's financial assets. The FDIC has taken a number of measures to strengthen its oversight of the risks to the insurance fund posed by the largest institutions, and its key programs have included the Large Insured Depository Institution Program, Dedicated Examiner Program, Shared National Credit Program, and off-site monitoring systems.

Importantly, with respect to the largest institutions, and their risk to the DIF, Title II of the Dodd-Frank Act will help address the notion of "Too Big to Fail." The largest institutions will be subjected to the same type of market discipline facing smaller institutions. Title II provides the FDIC authority to wind down systemically important bank holding companies and non-bank financial companies as a companion to the FDIC's authority to resolve insured depository institutions. As noted earlier, the FDIC's new OCFI is now playing a key role in overseeing these activities.

ENSURING INSTITUTION SAFETY AND SOUNDNESS THROUGH AN EFFECTIVE EXAMINATION AND SUPERVISION PROGRAM

The Corporation's supervision program promotes the safety and soundness of FDIC-supervised insured depository institutions. As of year-end 2011, the FDIC was the primary federal regulator for approximately 4,625 FDIC-insured, state-chartered institutions that are not members of the Federal Reserve Board (FRB)—generally referred to as "state non-member" institutions. As such, the FDIC is the lead federal regulator for the majority of community banks. The Acting Chairman has made it clear that one of the FDIC's most important priorities is the future of community banks and the critical role they play in the financial system and the U.S. economy as a whole. The Corporation plans a number of upcoming initiatives to further its understanding of the challenges and opportunities facing community banks, including a conference, a study by DIR, and an assessment of both risk-management and compliance supervision practices to see if there are ways to make processes more efficient.

Historically, the Department of the Treasury (the OCC and the OTS) and the FRB have supervised other banks and thrifts, depending on the institution's charter. The recent winding down of the OTS under the Dodd-Frank Act resulted in the transfer of supervisory responsibility for about 60 state-chartered savings associations to the FDIC, all of which are considered small and that will be absorbed into the FDIC's existing supervisory program. About 670 federally chartered savings associations were transferred to the OCC. As insurer, the Corporation also has back-up examination authority to protect the interests of the DIF for about 2,800 national banks, state-chartered banks that are members of the FRB, and those savings associations now regulated by the OCC.

The examination of the institutions that it regulates is a critical FDIC function. Through this process, the FDIC assesses the adequacy of management and internal control systems to identify, measure, monitor, and control risks; and bank examiners judge the safety and soundness of a bank's operations. The examination program employs risk-focused supervision for banks. According to examination policy, the objective of a risk-focused examination is to effectively evaluate the safety and soundness of the bank, including the assessment of risk management systems, financial condition, and compliance with applicable laws and regulations, while focusing resources on the bank's highest risks. Part of the FDIC's overall responsibility and authority to examine banks for safety and soundness relates to compliance with the Bank Secrecy Act (BSA), which requires financial institutions to develop and implement a BSA compliance program to monitor for suspicious activity and mitigate associated money laundering risks within the financial institution. This includes keeping records and filing reports on certain financial transactions. An institution's level of risk for potential terrorist financing and money laundering determines the necessary scope of a Bank Secrecy Act examination.

As noted earlier, the passage of the Dodd-Frank Act brought about significant organizational changes to the FDIC's supervision program in the FDIC's former Division of Supervision and Consumer Protection (DSC). That is, the FDIC Board of Directors approved the establishment of OCFI and a Division of Depositor and Consumer Protection. In that connection, DSC was renamed RMS. OCFI began its operations and is focusing on overseeing bank holding companies with more than $100 billion in assets and their corresponding insured

depository institutions. OCFI is also responsible for non-bank financial companies designated as systemically important by FSOC. OCFI and RMS will coordinate closely on all supervisory activities for insured state non-member institutions that exceed $100 billion in assets, and RMS is responsible for the overall Large Insured Depository Institution program.

As noted earlier, with the number of institutions on the FDIC's "Problem List" as of December 31, 2011 at 813, there is a potential of more failures to come and an additional asset disposition workload. The FDIC is the primary federal regulator for 533 of the 813 problem institutions, with total assets of $175.4 billion and $319.4 billion, respectively. Importantly, however, during the second quarter of 2011, the number of institutions on the Problem List fell for the first time in 19 quarters—from 888 to 865—and total assets of problem institutions declined during the second quarter from $397 billion to $372 billion. Maintaining vigilant supervisory activities of all institutions, including problem institutions, and applying lessons learned in light of the recent crisis will be critical to ensuring stability and continued confidence in the financial system going forward.

PROTECTING AND EDUCATING CONSUMERS AND ENSURING AN EFFECTIVE COMPLIANCE PROGRAM

The FDIC serves a number of key roles in the financial system and among the most important is its work in ensuring that banks serve their communities and treat consumers fairly. The FDIC carries out its role by providing consumers with access to information about their rights and disclosures that are required by federal laws and regulations and examining the banks where the FDIC is the primary federal regulator to determine the institutions' compliance with laws and regulations governing consumer protection, fair lending, and community investment. As a means of remaining responsive to consumers, the FDIC's Consumer Response Center investigates consumer complaints about FDIC-supervised institutions and responds to consumer inquiries about consumer laws and regulations and banking practices.

Currently and going forward, the FDIC will be experiencing and implementing changes related to the Dodd-Frank Act that have direct bearing on consumer protections. As noted earlier, the Dodd-Frank Act established the new Consumer Financial Protection Bureau within the FRB and transferred to this bureau the FDIC's examination and enforcement responsibilities over most federal consumer financial laws for insured depository institutions with over $10 billion in assets and their insured depository institution affiliates. Also during early 2011, the FDIC established its new Division of Depositor and Consumer Protection, responsible for the Corporation's compliance examination and enforcement program as well as the depositor protection and consumer and community affairs activities supporting that program. These entities will face mutual challenges, and coordination will be critical.

Historically, turmoil in the credit and mortgage markets has presented regulators, policymakers, and the financial services industry with serious challenges. Many of these challenges persist, even as the economy shows signs of improvement. The FDIC has been committed to working with the Congress and others to ensure that the banking system remains sound and that the broader financial system is positioned to meet the credit needs of the economy, especially the needs of creditworthy households that may experience distress. Another important focus is financial literacy. The FDIC has promoted expanded opportunities for the underserved banking population in the United States to enter and better understand the financial mainstream. Economic inclusion continues to be a priority for the FDIC. A challenge articulated by the Acting Chairman as he looks to the future is to increase access to financial services for the unbanked and underbanked in the United States.

Consumers today are also concerned about data security and financial privacy. Banks are increasingly using third-

party servicers to provide support for core information and transaction processing functions. The FDIC must continue to ensure that financial institutions protect the privacy and security of information about customers under applicable U.S. laws and regulations.

EFFECTIVELY MANAGING THE FDIC WORKFORCE AND OTHER CORPORATE RESOURCES

The FDIC must effectively and economically manage and utilize a number of critical strategic resources and implement effective controls in order to carry out its mission successfully, particularly with respect to its human, financial, information technology (IT), and physical resources. These resources have been stretched during the past years of the recent crisis, and the Corporation will continue to face challenges as it seeks to return to a steadier state of operations. New responsibilities, reorganizations, and changes in senior leadership and in the makeup of the FDIC Board will continue to impact the FDIC workforce in the months ahead. Promoting sound governance and effective stewardship of its core business processes and human and physical resources will be key to the Corporation's success.

Of particular note, in response to the crisis, FDIC staffing levels increased dramatically. The Board approved an authorized 2011 staffing level of 9,252 employees, up about 2.5 percent from the 2010 authorization of 9,029. On a net basis, all of the new positions were temporary, as were 39 percent of the total 9,252 authorized positions for 2011. Temporary employees were hired by the FDIC to assist with bank closings, management and sale of failed bank assets, and other activities that were expected to diminish substantially as the industry returns to more stable conditions. To that end, the FDIC opened three temporary satellite offices (East Coast, West Coast, and Midwest) for resolving failed financial institutions and managing the resulting receiverships. The FDIC closed the West Coast Office in January 2012 and plans to close the Midwest Office in September 2012.

The Corporation's contracting level has also grown significantly, especially with respect to resolution and receivership work. Contract awards in DRR totaled $2.4 billion during 2010 and as of December 2011 totaled $1.2 billion. To support the increases in FDIC staff and contractor resources, the Board of Directors approved a $4.0 billion Corporate Operating Budget for 2011, down slightly from the 2010 budget the Board approved in December 2009. For 2012, the approved corporate budget was further reduced to $3.28 billion to support 8,704 staff. The FDIC's operating expenses are paid from the DIF, and consistent with sound corporate governance principles, the Corporation's financial management efforts must continuously seek to be efficient and cost-conscious, particularly in a government-wide environment that is facing severe budgetary constraints.

Opening new offices, rapidly hiring and training many new employees, expanding contracting activity, and training those with contract oversight responsibilities placed heavy demands on the Corporation's personnel and administrative staff and operations. Now, as conditions seem a bit improved throughout the industry and the economy, a number of employees will be released—as is the case in the two temporary satellite offices referenced earlier and staffing levels will move closer to a pre-crisis level, which may cause additional disruption to ongoing operations and introduce new risks to current workplaces and working environments. Among other challenges, pre- and post-employment checks for employees and contractors will need to ensure the highest standards of ethical conduct, and for all employees, in light of a transitioning workplace, the Corporation will seek to sustain its emphasis on fostering employee engagement and morale.

From an IT perspective, amidst the heightened activity in the industry and economy, the FDIC is engaging in massive amounts of information sharing, both internally and with external partners. This is also true with respect to sharing of highly sensitive information with other members of the newly formed FSOC and with the Council

itself. FDIC systems contain voluminous amounts of critical data. The Corporation needs to ensure the integrity, availability, and appropriate confidentiality of bank data, personally identifiable information (PII), and other sensitive information in an environment of increasingly sophisticated security threats and global connectivity. Continued attention to ensuring the physical security of all FDIC resources is also a priority. The FDIC needs to be sure that its emergency response plans provide for the safety and physical security of its personnel and ensure that its business continuity planning and disaster recovery capability keep critical business functions operational during any emergency.

The FDIC is led by a five-member Board of Directors, all of whom are to be appointed by the President and confirmed by the Senate, with no more than three being from the same political party. For much of the past year, the FDIC had in place three internal directors—the Chairman, Vice Chairman, and one independent Director—and two ex officio directors, the Comptroller of the Currency and the Director of OTS. With the passage of the Dodd-Frank Act, the OTS no longer exists, and the Director of OTS has been replaced on the FDIC Board by the Director of the Consumer Financial Protection Bureau, Richard Cordray. Former FDIC Chairman Sheila Bair left the Corporation when her term expired—in early July 2011. Vice Chairman Martin Gruenberg was serving as Acting Chairman as of the end of 2011, and had been nominated by the President to serve as Chairman. In March 2012, the Senate extended the Board term for Acting Chairman Gruenberg but did not vote on his nomination to be Chairman. The internal Director, Thomas Curry, nominated by the President to serve as Comptroller of the Currency, was confirmed as Comptroller in late March 2012 and currently occupies that position. Thomas Hoenig, nominated by the President to serve as Vice Chairman of the FDIC, was confirmed as a Board member in March 2012 and was sworn in, though not as Vice Chairman, in April 2012. Finally, Jeremiah Norton was confirmed by the Senate in March 2012 and sworn in as Board Member in April 2012. The Board is now at its full five-member capacity for the first time since July 2011. Given the relatively frequent turnover on the Board and the new configuration of the current Board, it is essential that strong and sustainable governance and communication processes be in place throughout the FDIC. Board members, in particular, need to possess and share the information needed at all times to understand existing and emerging risks and to make sound policy and management decisions.

Beyond the Board level, enterprise risk management is a key component of governance at the FDIC. The FDIC's numerous enterprise risk management activities need to consistently identify, analyze, and mitigate operational risks on an integrated, corporate-wide basis. Additionally, such risks need to be communicated throughout the Corporation, and the relationship between internal and external risks and related risk mitigation activities should be understood by all involved. In that context, the new Office of Corporate Risk Management led by the FDIC's first Chief Risk Officer will assess external and internal risks faced by the FDIC and will report to the FDIC Chairman and periodically report back to the FDIC Board an important organizational change that should serve the best interests of the Corporation.

2011

Federal Deposit Insurance Corporation

This Annual Report was produced by talented and dedicated staff. To these individuals, we would like to offer our sincere thanks and appreciation. Special recognition is given to the following individuals for their contributions.

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