2010 ANNUAL REPORT

FDIC

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.

FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

2010 ANNUAL REPORT

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429 Office of the Chairman

March 31, 2011

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,
- 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 *2010 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 Resolution Fund.

In accordance with the Reports Consolidation Act of 2000, the FDIC completed an assessment of 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. Additionally, the U.S. Government Accountability Office did not identify any significant deficiencies in the FDIC's internal controls for 2010. We are committed to maintaining effective internal controls corporate-wide in 2011.

Sincerely,

Sheila C. Bair

Sheila C. Bair
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 the 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

45,776 NEW BANK ACCOUNTS OPENED THROUGH THE ALLIANCE FOR ECONOMIC INCLUSION

7,657 INSURED DEPOSITORY INSTITUTIONS

27,372 CONSUMER COMPLAINTS AND INQUIRIES ANSWERED

7 LANGUAGES FOR *MONEY SMART* CURRICULUM

157 FAILED BANKS RESOLVED

28 BANKS PARTICIPATING IN THE SMALL-DOLLAR LOAN PILOT PROGRAM

146,000 DEPOSIT INSURANCE COVERAGE INQUIRIES ANSWERED

442,557 ELECTRONIC DEPOSIT INSURANCE ESTIMATOR USER SESSIONS

8,150 FDIC FULL-TIME-EQUIVALENT EMPLOYEES

87 INTERNATIONAL VISITS TO THE FDIC WITH OVER **580** VISITORS REPRESENTING **60** COUNTRIES

Message from the Chairman

During 2010, the FDIC met the challenge of protecting a record $6.2 trillion of insured deposits in over half a billion accounts held by approximately 7,700 FDIC-insured institutions. Our guarantee has protected depositors since 1933, with none ever losing so much as a penny of insured funds. The FDIC's mission remains one of the most important and compelling across all of government, especially as we continue working through the fallout from the recent financial crisis. Our mission—promoting and maintaining the public's confidence in our nation's financial system by protecting insured depositors—motivates each of us on a daily basis to engage meaningfully in our work for the betterment of the American public.

Our commitment to the FDIC's mission and the pride and ownership displayed by our employees, resulted in our being recognized as the third best place to work among large federal agencies in the Partnership for Public Service's 2010 *Best Places to Work in the Federal Government*. These rankings are the most comprehensive and authoritative rating and analysis of federal employee satisfaction. The rankings reflect the sentiments of more than 263,000 federal employees who completed the survey, and were driven by responses to questions about whether employees would recommend their agency as a good place to work, how satisfied they are with their jobs, and how satisfied they are with their agency on an overall basis.

Daniel Rosenbaum/The New York Times/Redux

The year 2010 was a year of transition in dealing with the aftermath of the financial crisis that began in 2008 and of major change in the financial regulatory system. The FDIC continued to focus on cleaning up failed banks, strengthening bank supervision, ensuring the financial capacity of the Deposit Insurance Fund (DIF), and beginning the huge task of implementing regulatory reforms passed by the Congress that are intended to prevent another financial meltdown.

During 2010, 157 banks failed, up from 140 the previous year and the highest number since 1992. However, fewer banks failed than we had projected, and failures likely peaked in 2010, although the number of problem institutions—those with the two lowest supervisory ratings—rose to 884, which was the highest year-end total since 1992. Historically, the vast majority of problem institutions do not fail.

While we expect 2010 to have been the peak year for problem and failed institutions, as the economy recovers, substantial residual workload remains from the failures that occurred in prior years. Accordingly, we have been adding to our operational resources. The FDIC workforce grew to 8,150 full-time equivalent positions at year-end 2010, up from 6,557 at year-end 2009, and is authorized to increase by another 13 percent during 2011 as we move some contracting work in-house to achieve cost savings. In recognition of anticipated lower projected bank failure resolution costs, the FDIC Board approved a 2011 Corporate Operating Budget of $3.9 billion, a slight decrease from 2010.

Reforming the Regulatory Structure

Congress passed and President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) in late July. The new law includes far-reaching changes to restore market discipline, internalize the costs of risk-taking, and make our regulatory process more attuned to systemic risks. It greatly expands the FDIC's regulatory responsibilities. It also made permanent the $250,000 standard maximum deposit insurance limit that had been raised temporarily from $100,000 during the crisis.

One of the objectives of the Dodd-Frank Act is to restore market discipline by repudiating the doctrine that certain large, complex, interconnected financial institutions are simply too big to fail; hence, the law gave the FDIC the power to resolve these institutions when they get into trouble. The new law also created the Financial Stability Oversight Council (FSOC)—of which the FDIC was made one of the 10 voting members—to identify and respond to the threat of systemic risks, such as the housing bubble that triggered the recent financial crisis. The new law also created an independent consumer watchdog, the Consumer Financial Protection Bureau (CFPB).

In carrying out our many new responsibilities, we were authorized to write 44 rulemakings, some of which are discretionary, including 18 independent and 26 joint rulemakings. We were also granted new or enhanced enforcement authorities. In addition, we are subject to new reporting requirements and are required to undertake numerous studies and other actions. Implementation will require extensive coordination among the regulatory agencies and will fundamentally change the way we regulate larger complex financial institutions. Work began on a number of these rules in 2010.

The most significant rulemakings include implementation of:

- the new resolution plan requirement;
- the new capital floor requirement;

- the new orderly liquidation authority;
- the change to the deposit insurance assessment base;
- the so-called Volcker Rule that imposes trading restrictions on financial institutions;
- source of strength requirements for bank and thrift holding companies; and
- credit risk retention requirements for securitizations.

Reorganization of the Supervision Function

In addition to issuing rulemakings, we reorganized our banking supervisory function to help carry out our new responsibilities under the Dodd-Frank Act. We created the new Office of Complex Financial Institutions to focus on the FDIC's expanded responsibilities to implement a comprehensive risk analysis and assessment program for the largest, systemically important financial institutions. This office will perform continuous review and oversight of bank holding companies with more than $100 billion in assets as well as nonbank financial companies designated as systemically important by the new FSOC and will be responsible for establishing relationships and agreements with the relevant foreign jurisdictions involved in the supervision of these large firms. The new office will also be responsible for ensuring that the resolution plans developed by these firms are credible.

We also split our Division of Supervision and Consumer Protection into two separate divisions: the Division of Risk Management Supervision and the Division of Depositor and Consumer Protection. The new consumer division will allocate our resources more effectively while maintaining the cooperation and information sharing between consumer protection and safety and soundness examiners that are critical to an integrated supervisory approach. It will also complement, and work closely with, the new CFPB.

Keeping the DIF Strong as Banks Recover

The Dodd-Frank Act requires that the DIF reserve ratio reach 1.35 percent by September 30, 2020. It also removed the upper limit on the designated reserve ratio (DRR) and therefore, on the size of the fund. The law also changed the insurance premium assessment base from domestic deposits to assets minus tangible equity.

In carrying out these changes, the FDIC Board proposed a comprehensive, long-term plan for fund management based on the new law and an FDIC historical analysis of DIF losses. This analysis demonstrates that to maintain a positive fund balance and steady, predictable assessment rates, the reserve ratio must be at least 2 percent before a period of large fund losses and average assessment rates over time must be approximately 8.5 basis points of domestic deposits to achieve this ratio.

Protecting Depositors and Resolving Failed Institutions

As the number of failed institutions rose during the year, the FDIC continued using strategies instituted in 2009 to protect the depositors and customers of these institutions at the least possible cost to the DIF. The FDIC continued aggressively marketing failing institutions leading to the sale of the vast majority of these failed entities to healthier acquirers. These strategies helped to preserve banking relationships in many communities and provided depositors and customers with uninterrupted access to essential banking services. To this end, analysis is performed on every failing institution to identify branches located in low- and moderate-income areas to minimize the effect that any proposed resolution transaction may have on these customers. Moreover, the FDIC's use of loss-share agreements, where failed bank assets are passed to the acquirer—thus remaining in the private sector—with the FDIC sharing in any potential losses on the assets, is expected to save the FDIC $39.0 billion over the cost of liquidation.

Balanced Supervision under Adverse Conditions

As supervisor for approximately 4,700 community banks, the FDIC saw its workload rise in 2010 with the increase in the number of FDIC-supervised problem institutions. The FDIC responded to these challenges by prioritizing examination activities, increasing staffing levels, and making greater use of off-site monitoring and on-site visitations between examinations. We actively communicated with bankers through a variety of outreach activities, including a Community Bank Advisory Committee, now in its second year. This Advisory Committee provides real-time advice and guidance on a broad range of small community bank issues, as well as local conditions in communities throughout the country. We have also worked closely with other bank regulatory agencies to issue a number of Financial Institution Letters on risk management and compliance issues, including the *Secure and Fair Enforcement for Mortgage Licensing Act of 2008*. Striking a balanced approach to bank supervision during a period of adversity for the industry remains essential to ensuring that credit is made available to finance the economic recovery.

Preventing Unnecessary Foreclosures

Once again, the FDIC was at the forefront of efforts to stem the sharp rise in home foreclosures caused by unaffordable mortgages and high unemployment. In addition to advocating wider adoption of streamlined and sustainable loan modifications, we required failed-bank acquirers under loss-share agreements to modify qualifying at-risk mortgages by cutting interest rates and, in some cases, deferring principal. The FDIC also worked to expand the availability of principal write-downs as the erosion of homeowner equity may increase the likelihood of delinquencies and, in the case of loss-share agreements, losses to the DIF.

Reviving Mortgage Securitization

Mortgage securitization and the "originate to distribute" model of mortgage lending played leading roles in the buildup to the financial crisis. After the crisis, private securitization virtually shut down as investors lost confidence in market practices that were insufficiently transparent and ineffective in aligning their interests with those of originators and underwriters. After seeking and reviewing public comment, the FDIC Board approved new standards for its existing "safe harbor" protections for securitizations by banks that are later placed into receivership. These rules are designed to foster better risk management by strengthening underwriting, providing better disclosure, and requiring issuers to retain a financial interest in the securities while supporting profitable and sustainable securitizations by insured banks and thrifts. The goal is to improve industry standards in these areas in order to avoid future losses to the DIF and to support a revival of mortgage securitization on a sounder footing.

Protecting Consumers and Expanding Access to Banking Services

The FDIC has traditionally played a leading role in shielding consumers from predatory practices and promoting access to mainstream financial services for all segments of the population. We accomplish this through a special website (**www.economicinclusion.gov**), our Advisory Committee on Economic Inclusion, our Alliance for Economic Inclusion, our *Money Smart* financial literacy program, and our *National Survey of Unbanked and Underbanked Households.*

A new initiative under way to improve access to mainstream banking services for low-income families is the Model Safe Accounts Pilot program approved by the FDIC Board in August. This program is designed to evaluate the feasibility of insured depository institutions offering basic, "no frills" transactional and savings accounts. The accounts will be FDIC-insured, have low rates and fees, and be subject to consumer protection laws, regulations, and guidance.

We are also committed to ensuring that banks monitor their overdraft programs to protect consumers from excessive fees as well as protect their own reputations as stewards of customer trust. In late November, we issued final guidance on how to reduce problems and avoid hefty fees associated with automatic overdraft programs. A 2008 FDIC study found that some people were chronically using overdraft programs as a way to obtain short-term—and very expensive—loans. While many community banks already prudently manage their overdraft programs, some banks operate automated programs that lead to inappropriate use of these high-cost, short-term credit products. The new guidelines provide consumers with better information about the cost of automatic overdraft programs and require banks to intervene when customers use the backstop too frequently.

Basel Committee on Banking Supervision: Capital and Liquidity

To meet the challenges of the future and to protect insured depositors, the FDIC actively participated in the Basel Committee's efforts to raise global capital standards and institute new liquidity requirements. In December 2010, the Basel Committee released *Basel III: A global regulatory framework for more resilient banks and banking systems*, which increases the quality of capital, introduces a Tier 1 common equity ratio, requires banks to hold capital conservation and countercyclical buffers, increases the minimum Tier 1 capital ratio from 4 to 6 percent, and increases risk weights for certain bank exposures such as counterparty credit risk. The Basel Committee also agreed for the first time to institute an international leverage ratio and new quantitative liquidity thresholds, including both a short-term threshold and a longer-term structural metric. These capital standards and liquidity requirements will improve the ability of internationally active banks to meet funding needs and lend during periods of stress.

The FDIC: An Enduring Symbol of Confidence

The year 2010 was another very busy and challenging year for the FDIC, and hopefully the peak year for bank failures. These are unprecedented times for our economy and the FDIC, but we are prepared to meet the demands of our times and committed to carrying out our mission of maintaining confidence and stability in the American financial system. I am especially grateful for the hard-working, dedicated, can-do men and women of the FDIC for all they have done to respond to the demands of the crisis and help put the nation's financial system back on the road to recovery.

Sincerely,

Sheila C. Bair

Message from the Chief Financial Officer

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) *2010 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 nineteenth consecutive year, the U.S. Government Accountability Office (GAO) issued unqualified audit opinions for the two funds administered by the Corporation: 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.

At the conclusion of 2010 and moving forward into 2011, the DIF balance remains negative. The DIF's 2010 financial statements reflect the effect of a difficult banking environment, in which 157 banks failed. This total exceeds all bank failures between 1993 and 2008, and is the highest annual number since 1992, when 179 failures occurred.

Financial Results for 2010

For 2010, the DIF's comprehensive income was $13.5 billion compared to a comprehensive loss of $38.1 billion during 2009. This year-over-year change of $51.6 billion was primarily due to a $58.6 billion decline in the provision for insurance losses, partially offset by a $4.1 billion decrease in assessments earned (largely attributable to the 2009 special assessment).

The provision for insurance losses was negative $848 million for 2010, compared to positive $57.7 billion for 2009. The 2009 provision reflected the significant losses estimated to be incurred by the DIF from the 2009 and future failures. In contrast, the 2010 negative provision is primarily impacted by a reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail and adjustments to the estimated losses for banks that have failed.

The DIF's total liquidity declined by $19.9 billion, or 30 percent, to $46.2 billion during 2010. The decrease was primarily the result of disbursing $28.8 billion to fund 157 bank failures during 2010, although it should be noted that 130 of these failures were resolved as cash-conserving loss-share transactions (in which the acquirers purchased substantially all of the failed institutions' assets and the FDIC and the acquirers entered into loss-share agreements) requiring lower initial resolution funding. Moreover, during 2010, the DIF received $13.6 billion in dividends and other payments from its receiverships, which helped to mitigate the DIF liquidity's decline.

In accordance with 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 2009, GAO identified a material weakness in internal controls related to estimating losses to the DIF from resolution transactions involving loss-share agreements, in addition to a significant deficiency existing over information systems. The FDIC worked hard during 2010, implementing control improvements and comprehensive control enhancements to address these issues. I am proud to report that these are not repeat findings for 2010.

Our performance in 2010 gives us confidence that we can meet the challenges of an ever-changing banking industry. In 2011, we will continue to focus on effective cost management, and maintaining a strong enterprise-wide risk management and internal control program. These include identifying and addressing risks to the insurance fund; implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act; 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 the FDIC-managed funds.

Sincerely,

Steven O. App

Steven O. App

FDIC Senior Leaders

Front row *(left to right)*: Director Thomas Curry, Chairman Sheila Bair, Vice Chairman Martin Gruenberg. **Middle row** *(left to right)*: Jason Cave, Mitchell Glassman (retired), Sandra Thompson, James Angel, Cottrell Webster, Arthur Murton, Arleas Upton Kea, Thom Terwilliger. **Back row** *(left to right)*: Jesse Villarreal, Bret Edwards, D. Michael Collins, Russell Pittman, Steven App, and Andrew Gray.

Not pictured: Michael Krimminger, Paul Nash, and Fred Cams.

Dodd-Frank Wall Street Reform and Consumer Protection Act

Enacted on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Dodd-Frank Act" or "the Act") provides the most comprehensive legislative reform of the U.S. financial sector since the 1930s. Aimed at addressing the causes of the financial crisis of the last few years, the Act, among other things, provides for a more comprehensive, macro perspective for identifying and taking action in response to emerging risks in financial sectors and closing regulatory gaps; heightened prudential supervision of systemically important nonbank financial companies and large, interconnected bank holding companies; orderly liquidation of systemically important nonbank financial companies and bank holding companies; elimination of open assistance to preserve a failing insured depository institution; improved consumer financial protections and mortgage lending practices; and enhanced transparency and supervision of over-the-counter derivatives, swaps, and securities activities; and other investor protections. The Act significantly impacts the FDIC in its roles as supervisor, receiver, and deposit insurer, as well as making changes to the FDIC's corporate structure.

Supervision

The Dodd-Frank Act creates a new risk oversight umbrella group, the Financial Stability Oversight Council (FSOC). In an effort to mitigate potential systemic risks, the FSOC is empowered to designate certain nonbank financial companies for supervision by the Board of Governors of the Federal Reserve System (Federal Reserve) and to make recommendations for heightened prudential supervision of those nonbank financial companies and bank holding companies with total consolidated assets of $50 billion or more. The FSOC also may designate systemically important financial market utilities or payment, clearing or settlement activities. The FDIC is one of ten voting members of the FSOC.

The FSOC's recommendations may include, for example, leverage limits, risk-based capital requirements, liquidity requirements, and concentration limits. The Federal Reserve will be responsible for implementing heightened prudential standards and supervising such firms. These firms also may be subject to orderly liquidation under Title II of the Act, in which the FDIC will act as receiver to resolve the firm through a process similar to that used to resolve failed insured depository institutions. The Act requires the FDIC and the Federal Reserve to issue joint regulations implementing the requirement that these systemically important financial companies develop plans for their rapid and orderly resolution in the event of material financial distress or failure. It also gives the FDIC backup examination authority over these systemically important financial companies.

The Dodd-Frank Act abolishes the Office of Thrift Supervision (OTS) and transfers responsibility for thrift supervision to the Office of the Comptroller of the Currency (OCC) and the FDIC, as of the statutory "transfer date" (i.e., July 21, 2011). The FDIC will be responsible for the supervision of state chartered thrifts, while the OCC will supervise federal thrifts. The Federal Reserve will supervise thrift holding companies and their non-depository institution subsidiaries.

The Dodd-Frank Act also creates a new Consumer Financial Protection Bureau (CFPB) within the Federal Reserve System. The CFPB will have exclusive rulemaking authority for specified federal consumer protection laws and will also have examination and primary enforcement authority for many nonbank financial service providers and insured depository institutions (IDIs) and credit unions with total assets of over $10 billion (and any affiliated IDIs). With regard to IDIs over $10 billion otherwise in its jurisdiction, the FDIC will have backup enforcement authority for laws over which the CFPB has primary authority. The FDIC retains its current authority and programs under the Community Reinvestment Act and other consumer related laws not specified for all IDIs within its jurisdiction. It also retains all examination and enforcement authorities over IDIs with total assets of $10 billion or less within its jurisdiction. Examination coordination and information sharing with the new CFPB is required.

Receivership

As noted, the FDIC may be appointed as receiver for a failed systemically significant nonbank financial company or large, interconnected bank holding company. The orderly liquidation authority is similar to the resolution authority for IDIs under the Federal Deposit Insurance Act. However, no monies from the DIF may be used in connection with an orderly liquidation under Title II of the Act. Those resolutions will be funded initially by borrowing against the assets of the failed financial company, with the borrowings to be repaid from asset sales and, if necessary, from "clawbacks" of certain additional payments and from additional risk-based assessments against large financial companies. The Act expressly prohibits the use of taxpayer funds to prevent the liquidation of any financial company under Title II, and taxpayers shall bear no losses from the exercise of any authority under Title II.

Deposit Insurance

The Dodd-Frank Act permanently increases the standard maximum deposit insurance amount to $250,000, and made the increase retroactive to January 1, 2008. The Act also provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts for two years from December 31, 2010, through December 31, 2012. During this time, all noninterest-bearing transaction accounts are fully insured, regardless of the balance in the account and the ownership capacity of the funds. This coverage is available to all depositors, including consumers, businesses, and government entities. The unlimited 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.

The Act directs the FDIC to amend its regulations to define "assessment base" as average consolidated total assets minus average tangible equity. For custodial banks and banker's banks, the FDIC may subtract an additional amount as necessary to ensure that the assessment appropriately reflects the risk posed by such institutions.

The Act eliminates the maximum limitation on the designated reserve ratio (DRR) and raises the minimum DRR from 1.15 percent to

1.35 percent of estimated insured deposits. It requires the FDIC to take such steps as may be necessary for the reserve ratio of the DIF to reach 1.35 percent of estimated insured deposits by September 30, 2020. The FDIC must offset the effect on IDIs with total consolidated assets of less than $10 billion of this one-time requirement to reach 1.35 percent by that date rather than 1.15 percent by the end of 2016. The Act also eliminates the payment of dividends from the DIF when the reserve ratio is between 1.35 percent and 1.50 percent and provides the FDIC sole discretion to limit or suspend dividends when the reserve ratio exceeds 1.50 percent.

FDIC Corporate Structure

The Dodd-Frank Act places the Director of the CFPB on the FDIC Board in lieu of the Director of the OTS. In addition, the Act requires the FDIC to establish by January 21, 2011, an Office of Minority and Women Inclusion (OMWI) to develop standards for equal employment opportunity and the racial, ethnic, and gender diversity of the agency's workforce and senior management; increase participation of minority- and women-owned businesses in agency programs and contracts; and assess the diversity policies and practices of entities regulated by the agency. The OMWI is also to advise the agency on the impact of policies and regulations on minority- and women-owned businesses. The FDIC transferred the responsibilities of the Office of Diversity and Economic Opportunity to OMWI, effective January 21, 2011.

Other Financial Regulatory Reforms

The Act also makes a number of other reforms, including:

- Requiring that minimum leverage and risk-based capital requirements for IDIs, depository institution holding companies and nonbank financial companies supervised by the Federal Reserve can be no lower than the generally applicable requirements in effect on July 21, 2010 (the "Collins Amendment");
- Prohibiting bank holding companies and their affiliates from engaging in proprietary trading or sponsoring or investing in a hedge fund or private equity fund (the so-called "Volcker Rule");
- Requiring greater transparency and regulation of over-the-counter derivatives, asset-backed securities (including risk retention requirements), hedge funds, mortgage brokers and payday lenders;
- Requiring the financial regulators to prohibit incentive compensation at financial institutions that encourages excessive risk taking;
- Providing new rules for transparency and accountability for credit rating agencies and requiring regulators to eliminate regulatory reliance on credit ratings; and
- Establishing a Federal Insurance Office to, among other things, participate in the FSOC and monitor issues in the insurance industry.

Management's Discussion and Analysis

1

The Year in Review

The year 2010 was relatively challenging for the FDIC. In addition to the normal course of business, the Corporation continued to resolve failed insured depository institutions (IDIs), increasing resources as needed. The FDIC also started initial steps in the implementation of the Dodd-Frank Act, continued its work on high-profile policy issues, and published numerous Notices of Proposed Rulemaking (NPRs) throughout the year, seeking comment from the public. The Corporation also continued to focus on a strong supervisory program. The FDIC made enhancements to several versions of the *Money Smart* education curriculum. The FDIC also sponsored and co-sponsored major conferences and participated in local and global outreach initiatives.

Highlighted in this section are the Corporation's 2010 accomplishments in each of its three major business lines—Insurance, Supervision and 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

During 2009 and 2010, losses to the DIF were high. As of December 31, 2010, both the fund balance and the reserve ratio were negative after reserving for probable losses for anticipated bank failures. For the year, assessment revenue and lower-than-anticipated bank failures resulted in an increase in the reserve ratio to negative 0.12 percent as of December 31, 2010, up from negative 0.39 percent at the beginning of the year.

Long-Term Comprehensive Fund Management Plan

As a result of the Dodd-Frank Act revisions, the FDIC developed a comprehensive, long-term management plan for the DIF designed to reduce the pro-cyclicality in the existing system and achieve moderate, steady assessment rates throughout economic and credit cycles while also maintaining a positive fund balance even during a banking crisis, by setting an appropriate target fund size and a strategy for assessment rates and dividends. The FDIC set out the plan in a proposed rulemaking adopted in October 2010. The plan was finalized in rulemakings adopted in December 2010 and February 2011.

New Restoration Plan

Pursuant to the comprehensive plan, in October 2010, the FDIC adopted a new Restoration Plan to ensure that the reserve ratio reaches 1.35 percent by September 30, 2020. Because of lower expected losses over the next five years than previously anticipated, and the additional time provided by the Dodd-Frank Act to meet the minimum (albeit higher) required reserve ratio, the new Restoration Plan elected to forego the uniform 3 basis point increase in assessment rates scheduled to go into effect on January 1, 2011.

Setting the Designated Reserve Ratio

Using historical fund loss and simulated income data from 1950 to the present, the FDIC undertook an analysis to determine 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, combined with an appropriate dividend or assessment rate reduction policy, 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, pursuant to provisions in the Federal Deposit Insurance Act that require the FDIC Board to set the DRR for the DIF annually, the FDIC Board proposed in October 2010 to set the 2011 Designated Reserve Ratio (DRR) at 2.0 percent of estimated insured deposits. The Board approved a final rule adopting this DRR on December 14, 2010. The FDIC views the 2.0 percent DRR as a long-term goal and the minimum level needed to withstand future crises of the magnitude of past crises. However, 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. Thus, the 2.0 percent DRR should not be viewed as a cap on the fund.

Long-Term Assessment Rate Schedules and Dividend Policies

Once the reserve ratio reaches 1.15 percent, the FDIC believes that assessment rates can be reduced to a moderate level. Therefore, pursuant to its statutory authority to set assessments, in October 2010, the FDIC Board proposed 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 proposed suspending dividends permanently when the fund reserve ratio exceeds 1.5 percent. In lieu of dividends, the FDIC Board proposed to adopt progressively lower assessment rate schedules when the reserve ratio exceeds 2.0 percent and 2.5 percent. These lower assessment rate schedules will serve much the same function as dividends, but will provide more stable and predictable effective assessment rates. The FDIC finalized these long-term assessment rate and dividend changes in February 2011 in concert with the changes to the assessment base and large-bank pricing system described below.

Change in the Deposit Insurance Assessment Base

Change in the Assessment Base

The Dodd-Frank Act 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. In November 2010, the FDIC approved a proposed rulemaking that would implement these changes to the assessment base. The FDIC finalized this rulemaking in February 2011.

The Dodd-Frank Act 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, 2010, the FDIC estimates that the reserve ratio would have been negative 0.06 percent using the new assessment base (as opposed to negative 0.12 percent using estimated insured deposits) and that the 2.0 percent DRR using estimated insured deposits would have been 1.0 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 current assessment rate schedule incorporates 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 have been calibrated to a domestic deposit assessment base, the rule changing the assessment base also recalibrates the unsecured debt and brokered deposit adjustments. Since secured liabilities will be included in the assessment base, the rule eliminates the secured liability adjustment.

The assessment rate of an institution would also increase if it holds unsecured debt issued by other IDIs. The issuance of unsecured debt by an IDI lessens the potential loss to the DIF in the event of the institution's failure; 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 the Dodd-Frank Act will be larger than the current assessment base. Applying the current rate schedule to the new assessment base would result in larger total assessments than are currently collected. Accordingly, the rule changing the assessment base also established new rates to take effect in the second quarter of 2011 that will result in collecting approximately the same amount of assessment revenue under the new base as under the current rate schedule using the existing (domestic deposit) base. These schedules also incorporate the changes from the proposed large bank pricing rule that was finalized in February 2011 along with the change in the assessment base. The initial base rates for all institutions will 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 will take effect April 1, 2011. As explained above, the rate schedules will decrease when the reserve ratio reaches 1.15, 2.0, and 2.5 percent.

Proposed 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 proposed 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 reduce the pro-cyclicality of the deposit insurance assessment system by issuing a proposed rule in November 2010, that was finalized in February 2011, and 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 eliminates risk categories for large institutions. As required by the Dodd-Frank Act, under the rule, the FDIC will no longer use 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 will be combined 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 will take effect in the second quarter of 2011.

Temporary Liquidity Guarantee Program

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

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, although 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.

The FDIC charged a fee based on the amount and term of the debt issued. Fees ranged from 50 basis points on an annualized basis for debt with a maturity of 180 days or less, increasing to 75 basis points on an annualized basis for debt with a maturity of 181 to 364 days and 100 basis points on an annualized basis for debt with maturities of 365 days or greater. In conjunction with the program extension in 2009, the FDIC assessed an additional surcharge on debt with a maturity of one year or greater issued after April 1, 2009. Unlike the other TLGP fees, which were reserved for possible TLGP losses and not generally available for DIF purposes, the surcharge was deposited into the DIF and used by the FDIC when calculating the reserve ratio of the Fund. The surcharge varied depending on the type of institution issuing the debt, with IDIs paying the lower fees.

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

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[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).

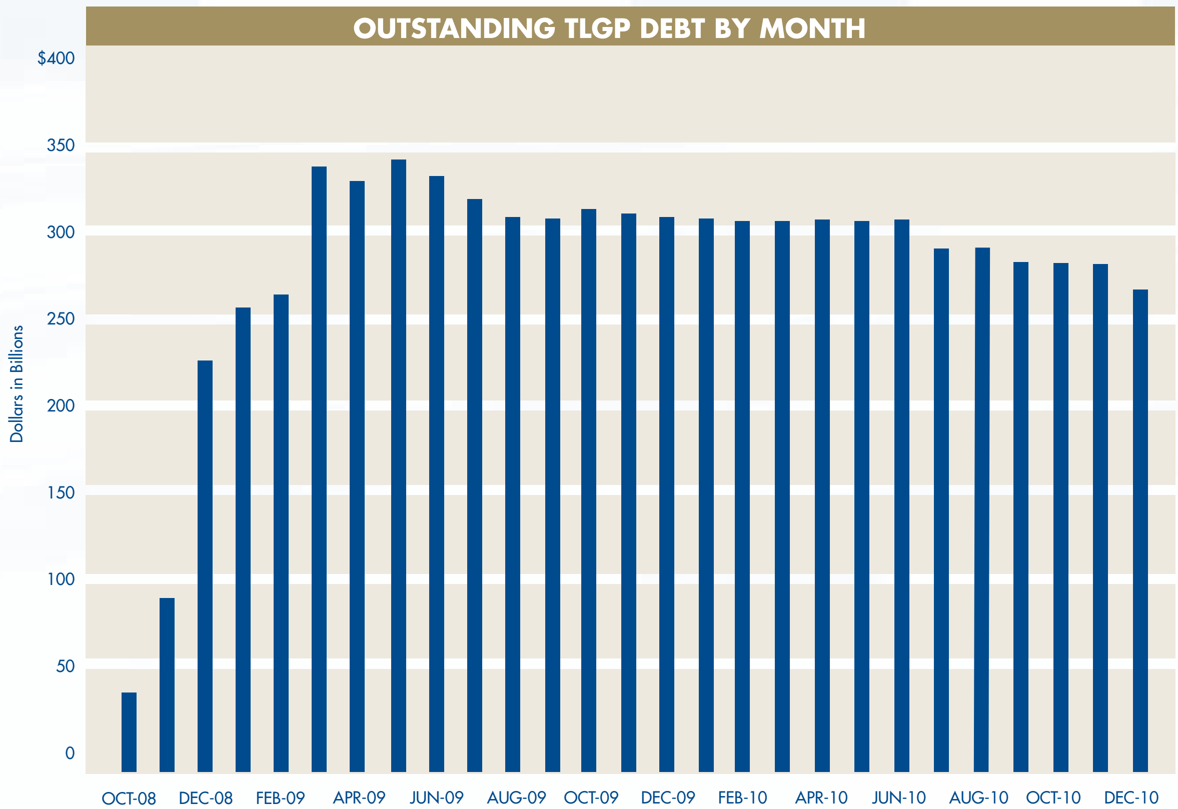
and expired on December 31, 2010. The guarantee also covered negotiable order of withdrawal (NOW) accounts at participating institutions—provided the institution initially committed to maintain interest rates on the accounts of no more than 0.50 percent (later reduced to 0.25 percent) for the duration of the program—and Interest on Lawyers Trust Accounts (IOLTAs) and functional equivalents. Participating institutions were initially assessed a 10 basis point surcharge on the portion of covered accounts that were not otherwise insured. The fees for the TAGP were increased at the first extension to either 15 basis points, 20 basis points, or 25 basis points, depending on the institution's deposit insurance assessment category.

Program Statistics

Institutions were initially required to elect whether to participate in one or both of the programs. More than half of the over 14,000 eligible entities elected to opt in to the DGP, while over 7,100 banks and thrifts, or 86 percent of FDIC-insured institutions, initially opted in to the TAGP. Most of the institutions that opted out of the DGP had less than $1 billion in assets and issued no appreciable amount of senior unsecured debt.

Over the course of the DGP's existence, 121 entities issued TLGP debt. At its peak, the DGP guaranteed almost $350 billion of debt outstanding (see chart below). As of December 31, 2010, the total amount of remaining FDIC-guaranteed debt outstanding was $267 billion.

The FDIC collected $10.4 billion in fees and surcharges under the DGP. As of December 31, 2010, the FDIC paid $8 million on seven claims that were filed when four participating entities (all holding companies) defaulted on debt issued under the DGP. Further claims on notes issued by one entity are expected, since some of the notes issued by this entity have not yet matured. Losses through the end of the DGP guarantee period in 2012 are expected to be limited.



Under the TAGP, the FDIC guaranteed an average of $114 billion of deposits during the fourth quarter of 2010. As of December 31, 2010, the last day of the program, over 5,100 FDIC-insured institutions reported having guaranteed deposits. As of December 31, 2010, the FDIC has collected $1.1 billion in fees under the TAGP.[2] Cumulative estimated TAGP losses on failures as of December 31, 2010, totaled $2.3 billion.

Overall, TLGP fees are expected to exceed the losses from the program. Remaining TLGP fees will be added to the DIF balance at the conclusion of the program. If fees are insufficient to cover the costs of the program, the difference will be made up through a systemic risk special assessment.

Transaction Account Guarantee Program Phase-Out

The TAGP was designed to eliminate potentially disruptive shifts in deposit funding and thus preserve bank lending capacity. The program proved effective. However, because bank failures continued to grow during 2009 and 2010, the FDIC remained concerned that terminating the TAGP too quickly could reverse the progress made in restoring financial markets to more normal conditions. To help transition institutions out of the TAGP, therefore, the FDIC Board, on August 26, 2009, approved a final rule that extended the TAGP for an additional six months, through June 30, 2010, with higher assessment fees for institutions participating in the extension period. The final rule also provided an opportunity for participating entities to opt out of the TAGP extension. Over 6,400 institutions (or 93 percent of institutions participating at year-end) elected to continue in the TAGP.

In June 2010, the FDIC remained concerned that, because of the lingering effects of the financial crisis and recession, terminating the TAGP too quickly could lead to liquidity problems for a number of community banks. The Board therefore approved a final rule authorizing another six-month extension, until December 31, 2010, of the TAGP. The FDIC did not increase assessment fees with the second extension, but the final rule reduced the permissible interest rate for the NOW accounts covered by the guarantee to no higher than 0.25 percent in order to better align the program with prevailing market rates. The FDIC provided institutions still participating in the TAGP in the second quarter of 2010 with a one-time opportunity to opt out of the second TAGP extension, effective July 1, 2010. Almost 6,000 institutions (or 93 percent of those institutions that were participating at the time) remained in the TAGP. The final rule authorizing the second extension also gave the FDIC Board the authority to further extend the TAGP, without further rulemaking, should economic conditions warrant an additional extension, for a period of time not to extend beyond December 31, 2011. However, the passage of the Dodd-Frank Act eliminated the need for such an extension of the TAGP.

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

The Dodd-Frank Act 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. The unlimited coverage 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 where:

- 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.

[2] This figure reflects fees assessed through September 30, 2010, and collected as of December 30, 2010.

The Act's 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, even if no interest is paid.

Complex Financial Institution Program

The FDIC's Complex Financial Institution (CFI) Program addresses the unique challenges associated with the supervision, insurance, and potential resolution of large and complex insured institutions. 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 Program provides for a consistent approach to large-bank supervision nationwide, allows for the analysis of financial institution risks on an individual and comparative basis, and enables a quick response to risks identified at large institutions. The Program's objectives are achieved through extensive cooperation with the FDIC's regional offices, other FDIC divisions and offices, and the other bank and thrift regulators. Given the heightened risk levels stemming from continued adverse economic and market conditions, the FDIC has expanded its presence at the nation's largest and most complex institutions through additional and enhanced on-site and off-site monitoring.

The Program expanded coverage at large and complex institutions from eight to ten in 2010 and increased its on-site presence, as designated by the FDIC Board, to assess risk, monitor liquidity, and participate in targeted reviews with the primary federal regulators. In July 2010, the FDIC entered into an interagency memorandum of understanding (MOU) which allows FDIC examiners to conduct special examinations of certain institutions covered by the MOU. The MOU should enhance the FDIC's access to those institutions and encourage ongoing effective communication among the federal regulators.

The Large Insured Depository Institution (LIDI) Program remains the primary instrument for off-site monitoring of IDIs with $10 billion or more in total assets, or under this threshold at regional discretion. 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. As of June 30, 2010, the LIDI Program encompassed 110 institutions with total assets of $10.3 trillion. The LIDI Program was refined again in 2010 to better quantify risk to the insurance fund in all large banks. This was accomplished, in collaboration with other divisions and offices, through a revision to the LIDI Scorecard, which better aligns with and supports the FDIC's large-bank deposit insurance pricing responsibilities. The LIDI Scorecard is designed to weigh key risk areas and provide a risk ranking and measurement system that compares IDIs on the basis of both the probability of failure and exposure to loss at failure. The comprehensive LIDI Program is essential to effective large bank supervision by capturing information on the risks and utilizing that information to best deploy resources to high-risk areas, determine the need for supervisory action, and support insurance assessments and resolution planning.

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 the Dodd-Frank Act for the assessment of risk in the largest, systemically important financial institutions. The OCFI is responsible for oversight and monitoring of large, systemically important financial institutions (SIFIs). Specifically, through both on-site and off-site monitoring, OCFI will develop an in-depth understanding of the operations and risk profiles of all IDIs and bank holding companies with assets over $100 billion and other companies designated as systemically important by the Financial Stability Oversight Council (FSOC).

Additionally, in conjunction with the Federal Reserve, OCFI will develop regulations governing the preparation, approval, and monitoring of resolution and recovery plans developed by SIFIs commonly referred to as "living wills." OCFI will be responsible for developing detailed resolutions plans and strategies for assigned institutions. OCFI will also identify and manage international and cross-border issues that might complicate the resolution process, and, accordingly, will build and maintain relationships with key international stakeholders.

In 2010, OCFI focused on creating and staffing senior management positions. Work also began on developing resolution strategies for specific SIFIs and more broadly scoping a process, strategies, and data needs for ongoing risk assessment at SIFIs.

Center for Financial Research

The Center for Financial Research (CFR) was founded by the Corporation in 2004 to encourage and support innovative research on topics important to the FDIC's role as deposit insurer and bank supervisor. During 2010, the CFR co-sponsored three major conferences.

The 20th Annual Derivatives Securities and Risk Management Conference, which the FDIC co-sponsored with Cornell University's Johnson Graduate School of Management and the University of Houston's Bauer College of Business, was held in April 2010 at the Seidman Center. The two-day conference attracted over 100 researchers from around the world. Conference presentations focused on issues such as credit risk measurement, equity option pricing, commodity market speculation, and risk management.

In October 2010, the FDIC and the Federal Reserve hosted a two-day symposium on mortgages and the future of housing finance. Over 300 experts from the public, private, and academic sectors participated in discussions of mortgage finance, foreclosures, loan modifications, and securitizations. Federal Reserve Chairman Ben Bernanke and FDIC Chairman Sheila Bair spoke at the symposium regarding the need for reform to restore stability to the housing finance system and to aggressively examine the incentives of the U.S. system of mortgage finance to ensure that the problems that contributed to the financial crisis are addressed.

The CFR and the *Journal for Financial Services Research* (JFSR) hosted the 10th Annual Bank Research Conference: Finance and Sustainable Growth in October. The two-day conference included the presentation of 17 papers and was attended by over 100 participants. Experts discussed a range of topics, including the global financial crisis, credit derivatives and the default risk of large complex financial institutions, and bank capital adequacy.

International Outreach

The past year has been defined by broad international efforts to respond effectively to the causes of the global financial crisis. One of the important lessons of the crisis is that effective systems of deposit insurance are important not only for the protection of individual depositors but also for overall financial stability. Inadequate systems of deposit insurance place individual depositors at risk and can have a significant negative impact on public confidence in the financial system as a whole. The FDIC has provided leadership and support to international standard-setting organizations and international financial institutions, and has established bilateral agreements with other bank supervisory and deposit insurance governmental organizations, resulting in significant advancements in promoting sound financial systems.

In 2009, the International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision (BCBS) jointly published *Core Principles for Effective Deposit Insurance Systems (Core Principles)*. The *Core Principles* were later adopted by the Financial Stability Board (FSB), which added them to its Compendium of Standards. Under the FDIC's leadership, IADI, BCBS, the International Monetary Fund (IMF), the European Forum of Deposit Insurers (EFDI), the World Bank, and the European Commission collaborated in developing a methodology for assessing compliance with the *Core Principles*. The methodology was submitted for approval by the executive governing boards of IADI, EFDI, and BCBS and presented to the FSB in December 2010. Together, the *Core Principles* and the methodology will be considered for inclusion among the FSB's 12 Key Standards for Sound Financial Systems. Once adopted, the *Core Principles* methodology is expected to be used to assess deposit insurance systems by the IMF in its Financial Sector Assessment Program, and by the FSB in its peer review of deposit insurance systems, which is scheduled for 2011. The leadership of IADI under Martin J. Gruenberg, the Vice Chairman of the FDIC, has been instrumental in advancing the establishment of the *Core Principles* as the standards for deposit insurance. Vice Chairman Gruenberg was re-elected to serve as President of IADI and Chair of the Executive Council in November 2010. During his tenure as President, the membership of IADI has grown from 48 to 62 deposit insurance members, including new members from Germany, Italy, Poland, Belgium, Switzerland, Australia, and Paraguay.

The FDIC is integrally involved with the FSB's Cross Border Crisis Management Working Group (CBCM). The group has been tasked with evaluating options and making recommendations on how to address issues related with the too-big-to-fail issue. In particular, the CBCM has been focused on recovery and resolution (R&R) for SIFIs. FSB member countries have been working on preparing R&R plans for SIFIs domiciled in their jurisdictions. The FDIC has been involved in R&R planning for the top five U.S. firms and has participated in Crisis Management Group meetings hosted by foreign regulators. The FDIC has also provided input and leadership to the CBCM's development of technical work streams related to obstacles encountered in a SIFI resolution. These work streams are focused on booking practices, intragroup guarantees, payments and settlement systems and legal entities/management information systems.

Since January 2009, international regulators have been meeting periodically to exchange views and share information on developments related to central counterparties (CCPs) for over-the-counter (OTC) credit derivatives. Based on the success of this cooperation, the OTC Derivatives Regulators' Forum was formed to provide regulators with a means to cooperate, exchange views, and share information related to OTC derivatives, CCPs, and trade repositories. FDIC staff has an active role in the OTC Derivatives Regulators' Forum and the OTC Derivative Supervisors' Group. Work streams of particular interest include collateral safekeeping practices, dispute resolution, and the build out of the central clearing platforms. Additionally, staff is completing a data access/user agreement MOU to assure ready access to data in trade repositories.

Throughout 2010, the FDIC participated in Governors and Heads of Supervision and BCBS meetings and contributed to the work streams, task forces, and the Policy Development Group that developed and refined regulatory forms to address a new definition of capital, treatment of counterparty credit risk, an international leverage ratio, capital conservation and countercyclical buffers, liquidity requirements, and surcharges on SIFIs. The BCBS published the final capital and liquidity reforms in December 2010, along with the results of the comprehensive quantitative impact study and an assessment of the macroeconomic impact of the transition to stronger capital and liquidity requirements. In addition to these capital and liquidity reforms, the FDIC also participated in BCBS initiatives related to surveillance standards, remuneration, supervisory colleges, operational risk, accounting issues for consistency, and corporate governance.

The FDIC finalized a resolution and crisis management MOU with the China Banking Regulatory Commission (CBRC) in 2010. The FDIC is currently in the process of negotiating a similar MOU with the Swiss Financial Market Supervisory Authority (FINMA). The MOU with FINMA is expected to be finalized by the end of 2011. The FDIC has reached out to other strategic countries including India, and has been met with enthusiasm by Indian officials. In 2011, the FDIC will review its resolution MOU with the Bank of England to determine what, if any, changes need to be made in light of regulatory developments both in the U.S. and the United Kingdom.

The 2010 Strategic and Economic Dialogue (S&ED) was held in Beijing, China, in May and was the second such event held under President Obama's administration. President Barack Obama and Chinese President Hu Jintao agreed to the S&ED in April 2009 to deepen and promote mutually beneficial cooperation between the U.S. and China in key economic and strategic areas. Chairman Bair and staff participated in this year's S&ED and also met with leaders of the People's Bank of China and the CBRC in side meetings to further strengthen the FDIC's relationship with these bank regulatory agencies. During the meeting with the CBRC, CBRC Chairman Liu and Chairman Bair signed an MOU enhancing cooperation in times of financial instability and in cases of cross-border resolution.

Chairman Bair and staff visited New Delhi and Mumbai, India, in June to meet with senior representatives of public and private sector organizations, including the Ministry of Finance, the Reserve Bank of India (RBI), the Deposit Insurance and Credit Guarantee Corporation, and the National Bank for Agriculture and Rural Development to discuss financial inclusion efforts in the U.S. and India and to explore possible areas of future cooperation between the two countries. Chairman Bair was the keynote speaker at an event hosted by the RBI, which was attended by senior RBI officials, bankers, and financial industry representatives. The Chairman's speech addressed U.S. financial regulatory reform, the importance of promoting financial inclusion and education, and the efforts made by both the U.S. and India to reach their unbanked population. Chairman Bair also announced plans to translate the FDIC's *Money Smart* program into Hindi for use in India.

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

- The FDIC, on behalf of IADI, provided the content and technical subject matter expertise in the development of four tutorials released through the Financial Stability Institute's FSI Connect: Premiums and Fund Management, Deposit Insurance – Reimbursing Depositors – Parts I and II, and Liquidation of Failed Bank Assets. FDIC hosted two IADI executive training seminars: Resolution of Problem Banks (April) and Claims Management: Reimbursement to Insured Depositors (July). Over 125 deposit insurance and bank regulatory officials from more than 35 countries attended the training programs. The FDIC developed the IADI Capacity Building Program website for organizations to use for identifying available technical expertise resources from IADI members. The website was released in the fall of 2010.

- The FDIC hosted 87 visits with 580 visitors from approximately 60 countries in 2010. In July, Chairman Bair met with members of the European Parliament's Committee on Economic and Monetary Affairs to discuss U.S. financial regulatory reform and the FDIC's new authorities, SIFIs, and Basel II reform. FDIC staff met with representatives of Chinese authorities and banks on multiple occasions throughout the year. Topics of these meetings included discussions about the health of the U.S. banking industry, financial reform, FDIC supervision of banks, the bank resolution process, and the FDIC's management of the distressed assets of failed banks. The FDIC hosted a multi-day study tour for the Board of Directors of the Nigeria Deposit Insurance Corporation (NDIC) in October. NDIC guests also traveled to the New York Regional Office to learn about the role of the regional offices and their relationship with headquarters. The FDIC hosted secondees, one from each of the following organizations during 2010: the Korea Deposit Insurance Corporation, the Financial Services Commission in Korea, and the Savings Deposit Insurance Fund of Turkey.

- June marked the three-year anniversary of the secondment program agreed upon between the Financial Services Volunteer Corps (FSVC) and the FDIC to place one or more FDIC employees full-time in FSVC's Washington, DC, office. Between September 2009 and August 2010, FSVC hosted four secondees who participated in 20 projects that took place in Albania, Algeria, Egypt, Jordan, Malawi, and Morocco. Additionally, the secondees provided services for their counterparts in Albania, Egypt, Libya, and Malawi from Washington, DC, and completed a project for the Central Bank of Iraq in Jordan. The secondees worked directly with eight overseas regulatory counterparts and trained almost 440 individuals. In these efforts, they spent over 1,850 hours providing direct technical assistance.

- The FDIC continues to support the work and mission of the Association of Supervisors of Banks of the Americas (ASBA). In furtherance of the FDIC's commitment to ASBA leadership and strategic development, in July 2010, FDIC staff participated in ASBA's board of directors and technical committee meetings. To facilitate ASBA's research and guidance initiatives, a senior bank examiner will participate in ASBA's Stress Testing Working Group, and FDIC staff is responding to ASBA's review of the implementation of International Financial Reporting Standards. These research and guidance efforts are intended to promote sound bank supervisory practices among ASBA members.

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, 2010, the Corporation was the primary federal regulator for 4,386 FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System (generally referred to as "state non-member" 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, 2010, the Corporation conducted 2,720 statutorily required risk management (safety and soundness) examinations, including a review of Bank Secrecy Act compliance, and all required follow-up examinations for FDIC-supervised problem institutions within prescribed time frames. The FDIC also conducted 1,780 CRA/compliance examinations (914 joint CRA/compliance examinations, 854 compliance-only examinations,[3] and 12 CRA-only examinations) and 3,276 specialty examinations. All CRA/compliance examinations were also conducted within the time frames established by FDIC policy, including required follow-up examinations of problem institutions. The following table compares the number of examinations, by type, conducted from 2008 through 2010.

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[3] Compliance-only examinations are conducted for most institutions at or near the mid-point between joint compliance/CRA examinations under the Community Reinvestment Act of 1977, as amended by the Gramm-Leach-Bliley Act of 1999. CRA examinations of financial institutions with aggregate assets of $250 million or less are subject to a CRA examination no more than once every five years if they receive a CRA rating of "Outstanding" and no more than once every four years if they receive a CRA rating of "Satisfactory" on their most recent examination.

FDIC Examinations 2008 – 2010

	2010	2009	2008
Risk Management (Safety and Soundness):			
State Non-member Banks	2,488	2,398	2,225
Savings Banks	225	203	186
Savings Associations	0	1	1
National Banks	3	0	2
State Member Banks	4	2	2
Subtotal – Risk Management Examinations	2,720	2,604	2,416
CRA/Compliance Examinations:			
Compliance/Community Reinvestment Act	914	1,435	1,509
Compliance-only	854	539	313
CRA-only	12	7	4
Subtotal – CRA/Compliance Examinations	1,780	1,981	1,826
Specialty Examinations:			
Trust Departments	465	493	451
Data Processing Facilities	2,811	2,780	2,577
Subtotal – Specialty Examinations	3,276	3,273	3,028
Total	**7,776**	**7,858**	**7,270**

Risk Management

As of December 31, 2010, there were 884 insured institutions with total assets of $390.0 billion designated as problem institutions for safety and soundness purposes (defined as those institutions having a composite CAMELS[4] rating of "4" or "5"), compared to the 702 problem institutions with total assets of $402.8 billion on December 31, 2009. This constituted a 26 percent increase in the number of problem institutions and a 3 percent decrease in problem institution assets. In 2010, 267 institutions with aggregate assets of $157 billion were removed from the list of problem financial institutions, while 449 institutions with aggregate assets of $198 billion were added to the list. Westernbank Puerto Rico, Mayaguez, Puerto Rico, which was the largest failure in 2010, with $11.9 billion in assets, was added to the problem institution list in 2008 and resolved in 2010. The FDIC is the primary federal regulator for 583 of the 884 problem institutions, with total assets of $202.5 billion and $390.0 billion, respectively.

During 2010, the Corporation issued the following formal and informal corrective actions to address safety and soundness concerns: 300 Consent Orders and 424 Memoranda of Understanding. Of these actions, 9 Consent

[4] 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).

Chairman Sheila C. Bair meets with Puerto Rico Financial Institutions Commissioner Alfredo Padilla, left, and Puerto Rico Governor Luis Fortuño, center.

Orders and 16 Memoranda of Understanding 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 non-member institutions designated as problem institutions within 12 months of the last examination. As of December 31, 2010, all follow-up examinations for problem institutions were performed on schedule.

Compliance

As of December 31, 2010, there were 54 insured state non-member institutions with total assets of $36.4 billion, rated “4” or “5” for consumer compliance purposes. All follow-up examinations for these institutions were performed on schedule.

During 2010, the Corporation issued the following formal and informal corrective actions to address compliance concerns: 23 Consent Orders and 122 Memoranda of Understanding.

Bank Secrecy Act/Anti-Money Laundering

The FDIC pursued a number of Bank Secrecy Act (BSA), Counter-Financing of Terrorism (CFT), and Anti-Money Laundering (AML) initiatives in 2010.

The FDIC conducted three training sessions in 2010 for 65 central bank representatives from Afghanistan, Argentina, Ghana, Iraq, Jordan, Kuwait, Mali, Mauritania, Morocco, Nigeria, Pakistan, Paraguay, Qatar, Senegal, and Turkey. The training focused on AML/CFT controls, the AML examination process, customer due diligence, suspicious activity monitoring, and foreign correspondent banking. The sessions also included presentations from the Federal Bureau of Investigation (FBI) on combating terrorist financing, and the Financial Crimes Enforcement Network (FinCEN) on the role of financial intelligence units in detecting and investigating illegal activities.

This year, the inaugural Advanced International AML/CFT School was offered. The goal of this course is to provide seasoned government staff with an appropriate understanding of high-risk areas and transactions, their potential effect on a financial institution, and how to identify potential red flags. Expert instructors were provided by the United States Attorney's Office, the Drug Enforcement Administration, U.S. Immigration and Customs Enforcement, the FBI, FinCEN, and the FDIC's Legal Division.

Additionally, the FDIC met with eight Namibian and Zambian foreign officials and 14 European representatives as a part of the U.S. Department of State's International Visitor Leadership Program to discuss the FDIC's AML Supervisory Program.

FFIEC BSA/AML Examination Manual

The FDIC participated in the revision and issuance of the 2010 FFIEC *BSA/AML Examination Manual*. The manual was released by the Federal Financial Institutions Examination Council (FFIEC) for publication and distribution on April 29, 2010. It reflects the ongoing commitment of the federal banking agencies to provide current and consistent guidance on risk-based policies, procedures, and processes for banking organizations to comply with the BSA and to safeguard operations from money laundering and terrorist financing. The manual was updated to further clarify supervisory expectations and to incorporate regulatory changes since the 2007 release. The revisions also reflect feedback from the banking industry and examination staff. The FDIC has also translated the manual into Spanish.

Minority Depository Institution Activities

The preservation of Minority Depository Institutions (MDIs) remains a high priority for the FDIC. In 2010, 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:

- Troubled Asset Relief Program (TARP)
- Deposit insurance assessments
- Proper use of interest reserves
- Filing branch and merger applications
- Complying with Part 365 – Real Estate Lending Standards
- Preparing Call Reports
- Performing due diligence for loan participations
- Monitoring CRE concentrations
- Reducing adversely classified assets
- Identifying and monitoring reputation risk
- Maintaining adequate liquidity
- Compliance issues
- Community Reinvestment Act (CRA)
- Procedures for filing regulatory appeals
- Criteria for assigning CAMELS ratings

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 examinations to assist management in understanding and implementing examination recommendations or to discuss other issues of interest. Ten MDIs took advantage of this initiative in 2010. Also, the FDIC regional offices held outreach training efforts and educational programs for MDIs.

The FDIC hosted a series of Asset Purchaser, Investor, and Minority Depository Institutions Outreach seminars throughout the country, where investors, and minority- and women-owned firms received information on purchasing assets from the FDIC and opportunities for investors to invest in or establish an MDI. Seminars were held in Atlanta, GA; New York, NY; Houston, TX; Miami, FL; Los Angeles, CA; San Francisco, CA; and Washington, DC. The seminars were well received, with over 650 participants in attendance.

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

The FDIC partnered with the Federal Reserve's Partnership for Progress to provide technical assistance and training to MDIs interested in applying for the New Markets Tax Credit (NMTC). The training consisted of a series of webinars to educate MDIs about becoming Community Development Entities, completing NMTC applications, and best practices on NMTC projects.

Capital and Liquidity Rulemaking and Guidance

Credit Ratings ANPR

In August 2010, the FDIC, along with the other federal banking agencies, published an Advance Notice of Proposed Rulemaking (ANPR) regarding alternatives to the use of credit ratings in the risk-based capital rules for banking organizations. The ANPR was issued in response to section 939(A) of the Dodd-Frank Act, which requires the agencies to review regulations that (1) require an assessment of the creditworthiness of a security or money market instrument, and (2) contain references to or requirements regarding credit ratings. In addition, the agencies are required to remove such references and requirements and substitute in their place uniform standards of creditworthiness, where feasible.

Market Risk NPR

In December 2010, the FDIC Board of Directors approved the publication of a joint Notice of Proposed Rulemaking (NPR) designed to enhance the market risk capital framework by addressing default and credit risk migration, innovations in trading book exposures, and other deficiencies revealed during the recent financial crisis. Enhancements to the framework include requirements to compute capital for stressed value-at-risk, and incremental default risk, standardized capital requirements for certain securitization positions, a capital floor for correlation trading exposures, and increased transparency through enhanced disclosures.

Advanced Approaches Floor NPR

In December 2010, the FDIC Board of Directors approved a joint NPR to implement certain requirements of Section 171 of the Dodd-Frank Act. Section 171 requires, among other things, 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. Final rulemaking will be completed in 2011.

FAS 166 and 167 Final Rule

In January 2010, the agencies finalized the amendment to the risk-based capital rules to reflect the issuance of FAS 166 and 167, which required certain off-balance-sheet assets to be moved back onto a bank's balance sheet. The final rule provided an optional transition period that allowed a bank to phase in over one year the impact on risk-weighted assets of the change in the U.S. generally accepted accounting rules. The rule also eliminated the exclusion of certain consolidated asset-backed commercial paper programs from risk-weighted assets.

Interest Rate Risk

Economic conditions in 2010 presented significant risk management challenges to depository institutions. For a number of institutions, increased loan losses and sharp declines in the value of certain securities portfolios placed downward pressure on capital and earnings. In the prevailing interest rate environment, taking advantage of a steeply upward sloping yield curve by funding longer-term assets with shorter-term liabilities may have provided short-term gains to earnings helping offset losses, but could pose risks to an institution's capital and future earnings should short-term interest rates rise. To reinforce the federal banking agencies' existing guidance —The *Joint Agency Policy Statement on Interest Rate Risk*—and to remind institutions to not lose focus on their management of interest rate risk, the agencies issued new guidance on January 6, 2010—*Advisory on Interest Rate Risk Management*. The guidance updated and clarified existing supervisory guidance on the sound practices for managing interest rate risk, noting that institutions should assess the likely effects of meaningful stress scenarios, including interest rate shocks of at least 300 to 400 basis points and that institutions are expected to conduct independent reviews of their interest rate risk models and management processes.

Liquidity Guidance

Recent turmoil in the financial markets emphasized the importance of effective liquidity risk management for the safety and soundness of financial institutions. To emphasize the importance of cash flow projections, diversified funding sources, stress testing, a cushion of liquid assets, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk, the federal banking agencies issued new guidance on March 22, 2010—*Funding and Liquidity Risk Management*. This policy statement summarizes the principles of sound liquidity risk management issued in the past and, when appropriate, supplements them with the "Principles for Sound Liquidity Risk Management and Supervision" issued by the BCBS in September 2008.

Other Guidance Issued

During 2010, the FDIC issued and participated in the issuance of other guidance in several areas as described below.

Bargain Purchases and Assisted Acquisitions

Market conditions in the banking industry, including the significant number of FDIC-assisted acquisitions of failed depository institutions, have contributed to an increase in bargain purchase transactions. A bargain purchase occurs when the fair value of the net assets acquired in a business combination exceeds the fair value of any consideration transferred by the acquiring institution. Bargain purchase gains are reported in earnings and included in the computation of regulatory capital under the agencies' capital standards. To address the supervisory issues arising from business combinations that result in bargain purchase gains, the FDIC, along with the other financial regulators, issued *Interagency Supervisory Guidance on Bargain Purchases and FDIC- and NCUA-Assisted Acquisitions* on June 7, 2010. The guidance addresses the agencies' concerns about the quality and composition of capital when a bargain purchase gain is expected to result from a business combination and describes the capital preservation and other conditions the agencies may impose in their approval of acquisitions. The guidance also discusses the agencies' expectations with respect to the appropriate application of accounting standards to business combinations.

Examinations of Institutions with FDIC Loss-Share Agreements

Beginning in 2009, the FDIC increasingly entered into loss-share agreements with institutions acquiring failed IDIs. Under such an agreement, the FDIC and an acquiring institution share in the losses on a specified pool of a failed institution's assets, which maximizes asset recoveries and minimizes losses to the DIF. In May 2010, the FDIC issued guidance to its examination staff on how examiners should take into account the implications and benefits of loss-share in their supervision of banks that have acquired assets of failed institutions covered by loss-share agreements. Examiners are expected to consider the impact of these agreements when performing asset reviews, assessing accounting entries, assigning adverse classifications, and determining CAMELS ratings and examination conclusions. The FDIC has made this examination guidance available to bankers, the other banking agencies, and other parties to promote their understanding of the FDIC's approach to the examination of banks with loss-share agreements. To provide greater visibility to the effect of loss-share agreements on the examination process, the Summer 2010 issue of the FDIC's *Supervisory Insights*, published in June, included "FDIC Loss-Sharing Agreements: A Primer". This article provides an overview of the loss-share process, addresses the regulatory treatment of assets subject to these agreements, and discusses the accounting rules and capital implications for the acquisition of failed bank assets.

Troubled Asset Relief Program's Community Development Capital Initiative

In 2010, the FDIC actively engaged with the U.S. Department of the Treasury (Treasury) and the other federal bank regulatory agencies in considering applications to the Troubled Asset Relief Program's (TARP) Community Development Capital Initiative (CDCI). The TARP CDCI invested lower-cost capital in Community Development Financial Institutions (CDFIs), which are financial institutions that target at least 60 percent of their lending and other economic development activities in areas underserved by traditional financial services providers. In its role as primary federal supervisor for state non-member institutions, the FDIC reviewed 64 TARP CDCI applications and forwarded approval recommendations to Treasury for 12 institutions that met Treasury's Program standards. Treasury approved ten institutions for participation in the Program.

The FDIC desired to reach a favorable recommendation for all TARP CDCI applications and worked closely with bank managements that were striving to achieve Treasury's standards for approval. CDFIs can provide critically needed loan and depository services to underserved communities.

Meeting the Credit Needs of Creditworthy Small Business Borrowers

In response to difficulties some small business owners are experiencing in obtaining or renewing credit to support their operations, the FDIC, along with other financial regulators, issued *Interagency Statement on Meeting the Credit Needs of Creditworthy Small Business Borrowers* on February 12, 2010. The statement builds on principles of existing guidance and strives to ensure that supervisory policies do not inadvertently curtail the availability of credit to sound small business borrowers. The statement reiterates regulatory expectations for institutions to effectively monitor and manage credit concentrations but notes that institutions should not automatically refuse credit to sound borrowers because of their particular industry or geographic location.

The statement also explains that examiners will not criticize prudent underwriting practices, that examiners will take a balanced approach when assessing small business lending activities, and that examiners will not adversely classify loans solely due to declining collateral values, provided that a borrower has the willingness and ability to repay loans according to reasonable terms.

Correspondent Concentration Risks

On April 30, 2010, the FDIC, along with the other financial regulators, issued guidance on *Correspondent Concentration Risks* to outline the agencies' expectations for identifying, monitoring, and managing correspondent concentration risks. The guidance addresses the agencies' expectations relative to performing due diligence on credit exposures to, and funding transactions with, other financial institutions. The guidance notes that a financial institution's relationship with a correspondent may result in credit and funding concentrations and acknowledges that, while some correspondent concentrations meet legitimate business needs, the concentrations represent a lack of diversification management should address when formulating strategic plans and risk management policies and procedures.

Appraisal and Evaluation Guidelines

On December 2, 2010, the FDIC, along with the other federal banking agencies, issued final *Interagency Appraisal and Evaluation Guidelines* to provide further clarification of the agencies' appraisal regulations and supervisory guidance to institutions and examiners about prudent appraisal and evaluation programs. The guidelines reflect changes in appraisal standards and advancements in regulated institutions' collateral valuation methods and clarify longstanding supervisory expectations for an institution's appraisal and evaluation program to conduct real estate lending in a safe and sound manner. Further, the guidelines promote consistency in the application and enforcement of the agencies' appraisal regulations and safe and sound banking practices.

Incentive Compensation

On June 21, 2010, the FDIC joined the other federal banking agencies in issuing interagency *Guidance on Sound Incentive Compensation Policies*. This guidance was issued to address incentive compensation practices in the financial services industry that contributed to the recent financial crisis. The guidance uses a "principles-based" approach and describes the agencies' expectations for banking organizations to maintain incentive compensation practices consistent with safety-and-soundness standards. One main goal of the guidance is to align employee rewards with longer-term organizational objectives, including consideration of potential risks and risk outcomes.

Golden Parachute

As part of supervisory efforts to address executive compensation in the financial services industry, the FDIC issued *Guidance on Golden Parachute Applications* on October 14, 2010, to clarify the golden parachute application process for troubled institutions, specify the type of information necessary to satisfy the certification requirements, and highlight factors considered by supervisory staff when determining whether to approve a golden parachute payment. A golden parachute payment refers to amounts paid by troubled entities to an institution-affiliated party (IAP) that are contingent on the IAP's termination. Applications made on behalf of senior management will be subject to heightened scrutiny that will include an evaluation of the individual's performance and involvement in corporate initiatives and policymaking. For lower-level employees, a de minimis golden parachute payment of up to $5,000 per individual is permissible without a supervisory application in most cases. The bank is required to maintain a record of the individuals receiving the payments, together with signed and dated certifications of the amounts received.

Concerns with Energy Lending Programs

The FDIC, along with other financial regulators, issued an alert on July 6, 2010, notifying financial institutions about a *Federal Housing Finance Authority (FHFA) Statement Relative to Concerns with Certain Energy Lending Programs*. The statement relates to FHFA and FDIC concerns with certain energy retrofit lending programs and indicates institutions should be aware of such programs, as deficiencies within the programs, such as weak underwriting and consumer-protection standards, could affect an institution's residential mortgage lending activities and its ability to sell loans to Fannie Mae and Freddie Mac.

Secure and Fair Enforcement for Mortgage Licensing Act of 2008

On July 28, 2010, the FDIC along with the other federal banking agencies, published the final rule implementing the requirements of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act). The SAFE Act requires residential mortgage loan originators who are employees of national and state banks, savings associations, Farm Credit System institutions, credit unions, and certain of their subsidiaries (agency-regulated institutions) to be registered in the Nationwide Mortgage Licensing System and Registry, an online database. The FIL highlights the rule's requirements for appropriate policies, procedures, and management systems to ensure compliance with the SAFE Act. The SAFE Act is intended to improve the accountability and tracking of residential mortgage loan originators (MLOs), enhance consumer protection, reduce fraud, and provide consumers with easily accessible information regarding an MLO's professional background.

Municipal Advisor Rule

On October 1, 2010, the FDIC issued a FIL announcing the Securities and Exchange Commission's (SEC) issuance of an interim final temporary rule requiring all municipal advisors to register with the SEC by October 1, 2010. The FIL highlights definitions of municipal advisors and municipal financial products, and notified financial institutions that they should review their dealings with municipal entities to determine if such dealings will require registration as a municipal advisor.

Regulatory Relief

During 2010, the FDIC issued 23 Financial Institution Letters (FILs) that provided guidance to help financial institutions and facilitate recovery in areas damaged by severe storms, tornadoes, flooding, and other natural disasters.

Consumer Protection and Compliance Rules and Guidance

In March 2010, the FDIC approved and issued, along with the other federal bank regulators, updated *Interagency Questions and Answers Regarding Community Reinvestment*. These Q&As consolidate and supersede all previously published versions of this guidance. A new Q&A provides examples of how to demonstrate that community development services meet the criteria of serving low- and moderate-income areas and people. The revised Q&As enable consideration of a pro rata share of mixed income affordable housing projects as community development projects.

In September 2010, the FDIC, along with the other federal bank regulators, issued a final CRA rule to implement a provision of the Higher Education Opportunity Act. The rule provides for consideration of low-cost higher education loans to low-income borrowers as a positive factor when assessing a financial institution's record of meeting community credit needs under the CRA. The rule also incorporates a CRA statutory provision that allows the agencies to consider a financial institution's capital investment, loan participation, and other ventures with minority-owned financial institutions, women-owned institutions, and low-income credit unions as factors in assessing the institution's CRA record.

In December 2010, the agencies published a final CRA rule that revises the definition of "community development" in the CRA regulations to provide favorable CRA consideration for loans, investments, and services by financial institutions that directly support, enable or facilitate eligible projects and activities in designated target areas of the Neighborhood Stabilization Program (NSP) approved by the Department of Housing and Urban Development. The expanded definition of "community development" in the CRA regulations will help leverage NSP funds in areas experiencing high foreclosure and vacancy rates and neighborhood blight.

In May 2010, the FDIC issued guidance to assist lenders in meeting their compliance obligations under the National Flood Insurance Program (NFIP) during periods when the statutory authority of the Federal Emergency Management Agency (FEMA) to issue flood insurance contracts under the NFIP lapses. In December 2010, the FDIC issued a notice to its supervised financial institutions that FEMA announced that Preferred Risk Policy eligibility will be extended two years beginning January 1, 2011.

In August 2010, the FDIC, in cooperation with the other FFIEC member agencies, issued supervisory guidance on reverse mortgage products. The guidance emphasizes the consumer protection concerns raised by reverse mortgages and the importance of financial institutions mitigating the compliance and reputation risks associated with these products.

In September 2010, the FDIC issued a compliance guide for state non-member banks wishing to use the model privacy form to comply with disclosure requirements under the Gramm-Leach-Bliley Act.

In November 2010, the FDIC issued final supervisory guidance on overdraft payment programs. The final guidance reaffirms existing supervisory expectations described in the February 2005 *Joint Guidance on Overdraft Protection Programs*, and provides specific guidance with respect to automated overdraft payment programs. In particular, the FDIC guidance states that financial institution management should be especially vigilant with respect to product overuse, which may harm consumers.

Monitoring Emerging Risks

The FDIC relies heavily on on-site supervisory activities to identify existing and emerging risks. In addition to on-site supervisory activities, the FDIC uses several established off-site processes, including the Statistical CAMELS Off-site Rating (SCOR) system and the Growth Monitoring System (GMS), as well as more recent comprehensive reviews (such as the Quarterly Supervisory Risk Profile), to assess how identified risks are likely to affect insured institutions' risk profiles and ratings. These ongoing analyses have been augmented with numerous ad hoc reviews, such as reviews of commercial real estate lending trends, interest rate risk exposure, allowance for loan and lease loss trends, and dividend payments. Furthermore, the FDIC replaced its former *Underwriting Survey* with a *Credit and Consumer Products/Services Survey*. The new survey extends beyond underwriting practices and addresses new or evolving products, strategies, and consumer compliance issues and is now completed by examiners at the conclusion of each risk management and consumer compliance examination. Supervisory staff monitors and analyzes this real-time examiner input and uses the information to help determine the need for changes in policy guidance or supervisory strategies as appropriate.

Regulatory Reporting Revisions

The FDIC, jointly with the Office of the Comptroller of the Currency and the Federal Reserve Board, implemented revisions to the Consolidated Reports of Condition and Income (Call Reports) that took effect in March and December 2010. The revisions responded to such developments as the temporary increase in the deposit insurance limit, changes in accounting standards, and credit availability concerns. The reporting changes that took effect on March 31, 2010, included new data on other than temporary impairments of debt securities, loans to non-depository financial institutions, and assets acquired from failed institutions covered by FDIC loss-share agreements; additional data on certain time deposits and unused commitments; and a change from annual to quarterly reporting for small-business and small-farm lending data. The agencies began to collect new data pertaining to reverse mortgages annually effective December 31, 2010.

As a result of a change in the basis for calculating assessments for banks participating in the FDIC's TAGP in the third quarter of 2010, the agencies revised the Call Report items used to collect data on TAGP-eligible accounts in September 2010. For the final two quarters of the TAGP, participating banks were required to report the total dollar amount and number of TAGP-eligible accounts as average daily balances rather than quarter-end balances.

With the enactment of temporary unlimited insurance coverage for noninterest-bearing transaction accounts by the Dodd-Frank Act effective December 31, 2010, the agencies added two new items to the Call Report as of that date for the reporting of the quarter-end dollar amount and number of noninterest-bearing transaction accounts as defined in the Act. These new items must be completed by all banks, not only those that participated in the TAGP.

In September 2010, the agencies proposed several revisions to the Call Report, primarily to assist the agencies in gaining a better understanding of banks' credit and liquidity risk exposures. The proposed revisions, which took effect on March 31, 2011, include additional data on troubled debt restructurings, commercial mortgage-backed securities, private sector deposits, loans and other real estate covered by FDIC loss-share agreements, bank-owned life insurance, and trust department collective investment funds; new data on auto loans, deposits obtained through deposit listing services, and assets and liabilities of consolidated variable interest entities and captive insurance subsidiaries; and instructional revisions relating to construction loans and repricing data.

Promoting Economic Inclusion

The FDIC undertook a number of initiatives in 2010 to promote financial access to IDIs for low- and moderate-income communities.

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 2010 to increase measurable results in the areas of new bank accounts, small-dollar loan products, remittance products, and the delivery of financial education to more underserved consumers. During 2010, over 152 banks and organizations joined AEI nationwide, bringing the total number of AEI members to 1,119. There were 45,776 new bank accounts opened during 2010, bringing the total number of bank accounts opened through the AEI to 208,458. During 2010, approximately 56,556 consumers received financial education through the AEI, bringing the total number of consumers educated to 199,392. Also, 48 banks were in the process of offering or developing small-dollar loans, 27 banks were offering remittance products, and 26 banks were providing innovative savings products through the AEI at the end of 2010.

During 2010, the FDIC expanded its efforts to address additional markets with high concentrations of unbanked and underbanked households and aligned its targeted efforts with the results of its 2009 unbanked survey. Presently in 14 markets, the FDIC began the initial organization and planning for AEI initiatives in two additional markets: Milwaukee, WI, and St. Louis, MO. Additionally, the FDIC worked closely during 2010 to provide technical assistance and support to communities in Ohio and northwestern Indiana interested in forming AEI coalitions, and provided a loaned executive to lead the Bank On California campaign.

The FDIC also worked closely during 2010 with the National League of Cities to provide technical assistance to facilitate the implementation of Bank On campaigns in: Seattle, WA; Savannah, GA; Houston and San Antonio, TX; Indianapolis, IN; Aurora, IL; Gaithersburg, MD; and Jacksonville, FL. The FDIC was also invited to serve as a working committee member and advisor to facilitate the launch of a Bank On Washington, DC, campaign launched in April 2010.

Advancing Financial Education

The FDIC's award-winning *Money Smart* curriculum is available in seven languages, large-print and Braille versions, as computer-based instruction, and as podcast audio instruction. Since its inception, over 2.4 million individuals have participated in *Money Smart* classes and self-paced computer-based instruction. Approximately 300,000 of these participants subsequently established new banking relationships.

The FDIC significantly expanded its financial education efforts during 2010 through a multi-part strategy that included making available timely, high-quality financial education products, expanding delivery channels, and sharing best practices.

In 2010, the FDIC released an enhanced version of its instructor-led *Money Smart* financial education curriculum for adults. The enhanced curriculum incorporates changes in the law and industry practices that have occurred since *Money Smart* was last revised in 2006. For instance, the curriculum reflects recent amendments to the rules pertaining to credit cards as well as the new overdraft opt-in rule. A new module, Financial Recovery, provides an overview of the steps consumers can take to rebuild their finances after a financial setback. Similar enhancements were also made to *Money Smart for Young Adults*.

The FDIC also released a Spanish language version of the *Money Smart Podcast Network*, a portable audio version of *Money Smart* suitable for use with virtually all MP3 players. Showing the appeal of a portable audio version, the MP3 English version received more than 522,000 hits during more than 23,000 individual sessions (individual visitors) during 2010, and the Spanish version received nearly 1,000 hits between its release on October 14, 2010, and year-end.

The FDIC's delivery channels for financial education were expanded, in particular, through a historic partnership agreement signed on November 15, 2010, 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 agreement will promote educators and IDIs working together to help students receive financial education and use mainstream banking products.

Financial education best practices were shared through four editions of *Money Smart News*, which reached over 40,000 subscribers. Success stories were shared on topics including reaching households struggling to survive a job loss and providing financial education to college students.

As a member of the Financial Literacy and Education Commission, the FDIC continued to actively support the Commission's efforts to improve financial literacy in America. During 2010, the FDIC was significantly involved in the work of the National Strategy Working Group, which was charged with drafting a new national strategy to promote financial literacy and education. In addition, the FDIC chairs the Commission's Core Competencies Subcommittee, which worked closely with the Department of the Treasury and a group of experts in the financial education field, including researchers and practitioners, to help draft the various core principles that individuals should know and the basic concepts program providers should cover.

The FDIC also took a leadership role among federal agencies to promote the 2010 America Saves Week to encourage consumers to establish a basic savings account or boost existing savings. Chairman Bair authored the nationally distributed *Your Savings – Good for You, Your Family, and Your Peace of Mind* op-ed. In addition, a video featuring Chairman Bair encouraging consumers to save and participate in America Saves Week received over 6,000 views on YouTube and was featured on the homepage of America Saves. The FDIC also provided technical assistance or other involvement to at least 15 America Saves coalitions.

Leading Community Development

FDIC community affairs staff are located in each of the FDIC's regions and lead a range of community development activities. In 2010, the FDIC undertook over 200 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. Staff also provided technical assistance and training to financial institutions on community development and other CRA-related topics. Representatives throughout the financial industry and their stakeholders collaborated with the FDIC on a broad range of initiatives structured to meet local and regional needs for financial products and services, credit, asset-building, affordable housing, small business and micro-enterprise development, and financial education.

During 2010, the FDIC launched a pilot initiative to build awareness of the FDIC's asset purchase opportunities among nonprofit affordable housing developers, NSP grantees, and local municipalities. The pilot was designed to increase their access and ability to successfully bid on and acquire FDIC-owned real estate from failed banks for redevelopment for affordable housing and other community development purposes. As a result, 30 properties were purchased from the FDIC by NSP grantees and redeployed as affordable housing in the southeast region.

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 during 2010. The FDIC entered into a strategic alliance with the U.S. Small Business Administration (SBA) on September 8, 2010, to facilitate the development and expansion, of small businesses. As part of the agreement, the FDIC and the SBA collaborated in co-sponsoring small-business information, resource, and capacity-building seminars in New York, NY; Los Angeles, CA; Memphis, TN; Greensboro, AL; Jackson, MS; New Orleans, LA; Tampa, FL; Richmond, VA; and Raleigh, NC. The events provided information and resources to over 1,500 small business owners, entrepreneurs, banking professionals and others.

The FDIC continued its initiative 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 during 2010:

- **Direct outreach to consumers with information, education, counseling, and referrals.** During 2010, in collaboration with NeighborWorks® America, the FDIC sponsored four counselor-driven homeowner outreach events in high-need markets to provide face-to-face assistance for borrowers at risk of foreclosure. More than 4,000 homeowners attended these events.

- **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 2010, the FDIC hosted or co-hosted five major loan modification scam outreach events in collaboration with NeighborWorks® America. These events were targeted to local agencies and nonprofits that have the capacity to educate stakeholders. These events resulted in more than 40,000 pieces of FDIC-branded outreach materials provided to partners for distribution, and led to more than 200 scams being reported to authorities.

- **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 worked to support industry efforts to build the capacity of housing counseling agencies. For example, the FDIC facilitated two community stabilization place trainings, which led to more than 69 homeownership professionals being trained in best practices and strategies to promote community recovery.

Gulf Coast Oil Spill Response

The FDIC strongly supported efforts to expedite a recovery from the April 22, 2010, Deepwater Horizon oil spill in the Gulf Coast region. At the onset of this spill of national significance, the FDIC recognized that some borrowers' cash flow and repayment capacity would be unexpectedly impaired, and that banks should consider assisting borrowers that would be severely impacted. Accordingly, on May 7, 2010, the FDIC issued FIL 24-2010, *Guidance for Financial Institutions Working with Borrowers in the Gulf Coast Region Affected by a "Spill of National Significance"*. This guidance encourages banks to work constructively with borrowers experiencing difficulties beyond their control because of damage caused by the spill. It also encourages banks to extend repayment terms, restructure existing loans, or ease terms for new loans in a manner consistent with sound banking practices. The guidance recognizes that efforts to work with borrowers in communities under stress can be consistent with safe and sound banking practices as well as in the public interest. The FDIC also joined the other banking agencies in issuing a similar directive on July 14, 2010, titled *Interagency Statement on Financial Institutions Affected by the Deepwater Horizon Oil Spill*.

Through field offices in Florida, Alabama, Mississippi, and Louisiana, and frequent interaction with state regulators and bank trade organizations, the FDIC worked hard to understand the spill's impact on banking, commerce, and tourism. FDIC executives from Washington and the Dallas and Atlanta regional offices conducted outreach and communicated with various constituencies to enhance knowledge of the spill's scope and effects. In addition, the FDIC engaged in a concerted dialogue with trade associations, community and business leaders, and congressional staff from the Gulf Coast region to gain an "on the ground" perspective on the spill's short- and long-term implications. The FDIC will strive to maintain this dialogue with bankers and community leaders to ensure its supervisory approach prudently accommodates recovery efforts.

Affordable Small-Dollar Loan Guidelines and Pilot Program

The FDIC's two-year Small-Dollar Loan Pilot Program concluded in the fourth quarter of 2009, with final data reported to the FDIC in mid-May 2010. The pilot was a case study designed to illustrate how banks can profitably offer affordable small-dollar loans as an alternative to high-cost credit products such as payday loans and fee-based overdraft programs. At the end of the pilot, 28 banks were participating with total assets ranging from $28 million to $10 billion and operations in 28 states. Over the course of the pilot, participating banks originated more than 34,400 small-dollar loans with a principal balance of $40.2 million.

The pilot demonstrated that banks can offer alternatives to costly forms of emergency credit, and resulted in a template of essential product design and delivery elements for safe, affordable, and feasible small-dollar loans that can be replicated by other banks. (See www.fdic.gov/smalldollarloans/ for the template). Going forward, the FDIC is working with the banking industry, consumer and community groups, nonprofit organizations, other government agencies, and others to research and pursue strategies that could prove useful in expanding the supply of small-dollar loans. Among other things, these strategies include:

- Highlighting the facts about the pilot and other successful small-dollar loan models.
- Studying creation of pools of nonprofit or government funds to serve as "guarantees" for small-dollar loans.
- Encouraging broad-based partnerships among banks, nonprofit, and community groups to work together in designing and delivering small-dollar loans.
- Studying the feasibility of safe and innovative emerging small-dollar loan technologies and business models.
- Considering ways that regulators can encourage banks to offer safe and affordable small-dollar products, and that these products can receive favorable CRA consideration.

Information Technology, Cyber Fraud, and Financial Crimes

The FDIC sponsored a Combating Commercial Payments Fraud Symposium in March 2010 that focused on the nature of this increasingly sophisticated form of financial fraud and how the industry and regulators can effectively respond. Other major accomplishments during 2010 in promoting information technology (IT) security and combating cyber fraud and other financial crimes included the following:

- Published, in conjunction with the other FFIEC agencies, a Retail Payment Systems Handbook. The booklet discusses various technologies and products used in payment systems and the risk management techniques that institutions should use.
- Issued, in conjunction with the other FFIEC agencies, an updated and expanded program to review specialized software used by financial institutions.

- Published, in conjunction with the other FFIEC agencies, a white paper entitled "The Detection and Deterrence of Mortgage Fraud Against Financial Institutions".

- Issued *Guidance on Mitigating Risk Posed by Information Stored on Photocopiers, Fax Machines and Printers.*

- Assisted financial institutions in identifying and shutting down approximately 47 "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 130 Special Alerts to FDIC-supervised institutions on reported cases of counterfeit or fraudulent bank checks.

- Issued 3 Consumer Alerts pertaining to e-mails and telephone calls fraudulently claiming to be from the FDIC.

The FDIC conducts IT examinations at each risk management examination to ensure that institutions have implemented adequate risk management practices for the confidentiality, integrity, and availability of the institution's sensitive, material, and critical information assets using the FFIEC Uniform Rating System for Information Technology (URSIT). The FDIC also participates in interagency examinations of significant technology service providers. In 2010, the FDIC conducted 2,121 IT examinations at financial institutions and technology service providers. Further, as part of its ongoing supervision process, the FDIC monitors significant events, such as data breaches and natural disasters, that may impact financial institution operations or customers.

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 IT examinations. In 2010, the FDIC provided foreign technical assistance training to the Central Bank of Iraq and the Bank of Albania to train examiners and develop examination policies for managing IT and other operational risks.

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, 2010, the FDIC received 13,756 written complaints, of which 6,862 involved complaints against state non-member institutions. The FDIC responded to over 97 percent of these complaints within time frames established by corporate policy, and acknowledged 100 percent of all consumer complaints and inquiries within 14 days. The FDIC also responded to 1,960 written inquiries, of which 388 involved state non-member institutions. In addition, the FDIC responded to 6,666 telephone calls from the public and members of the banking community, 4,375 of which concerned state non-member institutions.

Deposit Insurance Education

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 2010, the FDIC continued its efforts to educate bankers and consumers about the rules and requirements for FDIC insurance coverage. The FDIC conducted a series of eight nationwide telephone seminars for bankers on deposit insurance coverage. These seminars reached an estimated 60,000 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).

Deposit Insurance Coverage Inquiries

During 2010, the FDIC received and answered approximately 143,000 telephone deposit insurance-related inquiries from consumers and bankers. Of these inquiries, 119,000 were addressed by the FDIC Call Center and 24,000 were handled by deposit insurance coverage subject matter experts. In addition to telephone deposit insurance inquiries, the FDIC received 3,000 written deposit insurance coverage 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. Once an institution is closed by its chartering authority—the state for state-chartered institutions, the OCC for national banks, and the OTS for federal savings associations—and the FDIC is appointed receiver, 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.

In order 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 utilizing a Deposit Insurance National Bank (DINB).

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. There are a variety of P&A transactions that 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 loans 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.

The Banking Act of 1933 authorized 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 which allows failed bank customers a brief period of time to move their deposit account(s) to other insured institutions. 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 2010, the FDIC experienced a significant increase in the number of institution failures, 157, as compared to previous years. 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 2008 – 2010

Dollars in Billions

	2010	2009	2008
Total Institutions	157	140	25
Total Assets of Failed Institutions[1]	$92.1	$169.7	$371.9
Total Deposits of Failed Institutions[1]	$79.5	$137.1	$234.3
Estimated Loss to the DIF	$24.2	$37.1	$19.6

[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, and 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 2010 totaled $8.8 billion in unpaid principal balances from commercial real estate and residential loans acquired from various receiverships. These transactions oftentimes involved FDIC guaranteed purchase money debt and equity in a limited liability company shared between the respective receivership which contributed the assets to the sale and the successful purchaser. Cash sales of assets for the year totaled $773 million in book value.

As a result of our marketing and collection efforts, the book value of assets in inventory decreased by $14.4 billion in 2010. The chart below 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 01/01/10	Assets in Inventory 12/31/10
Securities	$12,425	$12,820
Consumer Loans	475	56
Commercial Loans	4,423	3,369
Real Estate Mortgages	15,613	5,683
Other Assets/Judgments	4,096	2,103
Owned Assets	3,257	2,086
Net Investments in Subsidiaries	1,066	881
Total	**$41,355**	**$26,998**

The FDIC makes extensive use of contractors in managing and selling the assets of failed institutions. In order to ensure that contractor resources are effectively managed, a substantial number of dedicated contract oversight and management positions were added during 2010 and extensive training was conducted for new employees before assigning them to contractor oversight duties. All newly designated oversight managers and technical monitors receive training in advance of performing contract administration responsibilities. Further, new reporting capabilities were implemented to the procurement system. The contracting department was reorganized, and the ratio of task orders to oversight managers was significantly reduced.

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 estate. In 2010, the number of receiverships under management increased by 84 percent, due to the increase in failure activity. The following chart shows overall receivership activity for the FDIC in 2010.

Receivership Activity

Active Receiverships as of 01/01/10[1]	187
New Receiverships	157
Receiverships Inactivated	0
Active Receiverships as of 12/31/10[1]	344

[1] Includes eight FSLIC Resolution Fund receiverships.

Minority and Women Outreach

The FDIC relies on contractors to help meet its mission to maintain stability and public confidence in the U.S. financial system. In 2010, the FDIC continued to host "Doing Business with the FDIC" and "Representing the FDIC" seminars. The FDIC conducted four seminars nationwide and reached out to Minority and Women Owned Businesses (MWOBs) and Minority and Women Owned Law Firms (MWOLFs) to inform them about the FDIC's procurement and legal opportunities. In addition, FDIC staff served as panel members, exhibitors, and active participants in numerous events sponsored by trade and community organizations, and provided valuable information to attendees regarding the FDIC's procurement process.

As a result of this additional outreach, the FDIC has registered approximately 2,200 MWOBs in an internal database. This database was used in addition to the newly developed ARON Database System (ARON) for generating source lists. ARON was developed exclusively for the FDIC in an effort to retrieve comprehensive lists of competitive MWOBs for potential solicitations. The system retrieves contractors' information directly from the Central Contractor Registration (CCR) System. Firms that want to do business with the government must be registered in the CCR System.

In 2010, the FDIC awarded 2,573 contracts, of which 522 contracts, or 20 percent, were awarded to MWOBs. The total value of contracts awarded was $2.6 billion, of which $641 million, or 24 percent, was awarded to MWOBs, compared to 32 percent for all of 2009. Lower award values in areas where there was strong MWOB participation in conjunction with increases in award dollars in areas where there was no MWOB participation resulted in an overall decrease in dollars awarded to MWOBs in 2010. In addition, the FDIC paid outside counsel $87 million for legal services, of which $8 million, or 10 percent, was paid to MWOLFs, compared to 3 percent for all of 2009.

As a result of the number of bank failures for 2010, the FDIC took a proactive effort to target minority and women investors to create awareness, promote synergy, and provide information regarding purchasing failed bank assets and acquiring and/or creating minority depository institutions. As previously stated, the FDIC developed and jointly sponsored eight Asset Purchaser, Investor, and Minority Depository Institution (AIM) seminars.

In 2011, the FDIC will continue to encourage and foster diversity and the inclusion of minorities and women in its asset sales program as it continues to liquidate assets from failed financial institutions. The FDIC will explore an investor match program to connect large and small investors interested in bidding on the FDIC's structured sales. In addition, the FDIC will conduct workshops to provide technical assistance to small investors and asset managers on how to participate in structured sales.

Protecting Insured Depositors

With the increase in failure activity in 2010, the FDIC's focus on protecting insured depositors of failed institutions was of critical importance. Confidence in the banking system hinges on deposit insurance, and no insured deposits went unpaid in 2010.

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 2010, the FDIC paid dividends of $5 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, accountants, fidelity bond carriers, appraisers, attorneys, 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 the year, the FDIC recovered approximately $78 million from these professional liability claims/settlements. 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 $6 million in criminal restitutions and forfeitures during the year. At the end of 2010, the FDIC's caseload was composed of 153 professional liability lawsuits (up from 89 at year-end 2009) and 2,750 open investigations (up from 1,878) at year-end 2009. There also were 4,895 active restitution and forfeiture orders (up from 3,379 at year-end 2009). This includes 247 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 in order to successfully carry out its mission and meet the performance goals and targets set forth in its annual performance plan. The Corporation must align these strategic resources with its mission and goals and deploy them where they are most needed in order to enhance its operational effectiveness, and minimize potential financial risks to the DIF. Major accomplishments in improving the Corporation's operational efficiency and effectiveness during 2010 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 2010, the FDIC stepped up workforce planning and development initiatives that emphasized hiring individuals with the skill sets needed to address the greatly increased number of bank failures and problem institutions. The Corporation also deployed a number of strategies to more fully engage all employees in advancing the FDIC's mission.

Succession Management

In 2010, the Corporation significantly expanded its education and training curriculum for employees in the business lines, 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 that were made available to new and tenured employees to quickly facilitate work processes and overall efficiencies. The FDIC is also engaged in a number of knowledge management approaches as it moves through the current financial crisis.

In 2010, the FDIC built on the transformed leadership development curriculum launched in 2009 and continues to expand opportunities to all employees, including new hires. 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 Corporation builds a culture of leadership and further promotes a leadership succession strategy.

Additionally, the Corporation formalized its Master of Business Administration (MBA) program for Corporate Managers and Executive Managers, in conjunction with a major university. The evaluation results of the pilot MBA program were overwhelmingly positive, and participants provided explicit examples of direct application to their jobs and improved strategic thinking. Five candidates were selected for the 2010-2013 class.

Strategic Workforce Planning and Readiness

The FDIC utilized a number of employment strategies in 2010 to meet the need for additional human resources resulting from the increased number of failed financial institutions and the volume of additional examinations. Among these strategies, the FDIC reemployed over 240 retired FDIC examiners, attorneys, resolutions and receiverships specialists, and support personnel; hired employees of failed institutions in temporary and term positions; recruited mid-career examiners who had developed their skills in other organizations; recruited term loan review specialists and compliance analysts from the private sector; and redeployed current FDIC employees with the requisite skills from other parts of the Corporation.

As the number of failed financial institutions continued to grow in 2010, the FDIC fully staffed two temporary satellite offices on both the west coast and the east coast to bring resources to bear in areas especially hard hit. The West Coast Temporary Satellite Office opened in Irvine, CA, in spring 2009, and as of year-end 2010 had nearly 500 employees. The East Coast Temporary Satellite Office opened in Jacksonville, FL, in fall 2009, and as of year-end 2010 had over 460 employees, most of whom were hired in 2010. In January 2010, the FDIC Board authorized opening a third satellite office in Schaumburg, IL. During 2010, the Midwest Temporary Satellite Office was established and now has over 300 employees on board. The Corporation also increased resolutions and receiverships staff in the Dallas Regional Office.

Almost all of the new employees in these new offices were hired on a non-permanent basis to handle the temporary increase in bank-closing and asset management activities expected over the next two to four years. To fully staff these offices and meet other needs brought on by the financial crisis, including increased examination activities, the Corporation hired approximately 2,000 additional employees in 2010. 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.

The FDIC continued its efforts 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 the FDIC's major business lines. In 2010, 148 new business line employees (883 hired since program inception) entered this multi-discipline program. The CEP continued to provide a foundation across the full spectrum of the

Corporation's business lines, allowing for greater flexibility to respond to changes in the financial services industry and in meeting the Corporation's human capital needs. As in years past, the program continued to provide the FDIC flexibilities 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 credentials, having completed their three to four years of specialized training in field offices across the country. The FDIC had 163 commissioned participants by the end of 2010. These individuals are well-prepared to lead examinations on behalf of the Corporation.

Employee Engagement

The FDIC continually evaluates its human capital programs and strategies to ensure that the Corporation remains an employer of choice and that all of its employees are fully engaged and aligned with the Corporation's mission. The FDIC's annual employee survey incorporates and expands on the Federal Employee Viewpoint Survey mandated by Congress. A corporate Culture Change Initiative was instituted in 2008 to address issues resulting from the survey.

The Culture Change Initiative has continued to gain momentum, and progress is occurring toward completion of goals identified in the Culture Change Strategic Plan. The 2008 and 2009 employee survey results showed marked improvement in the areas of opportunity, while maintaining or improving on areas of strength. In 2010, the Corporation was honored with an award from the Partnership for Public Service as third best large agency in the *Best Places to Work in the Federal Government* rankings, based on the results of the 2009 All-Employee Survey. Much of this improvement is attributable to the Culture Change Program.

A new Culture Change Initiative was launched in September 2010 with an emphasis on individual as well as corporate responsibility for culture improvement. The Culture Change Council was reconstituted with new members, focus groups were conducted to determine where efforts should be made, training was conducted, and a number of other programs were begun as a result. Analysis indicates a positive response to these events and a willingness to continue to engage in the change process. The question-and-answer mailbox and quarterly all-employee teleconferences with the Chairman continued so that employees could provide input, make suggestions, and ask questions.

Employee Learning and Development

The FDIC offers a range of learning and development opportunities to meet the varied needs of its employees. It uses innovative solutions to prepare new and existing employees for the challenges ahead. By streamlining existing courses, promoting blended learning, and creating online, just-in-time toolkits and job aids, new employees can more quickly and thoroughly assume their job functions and assist with examination and resolution activities. In order to meet the 2010 learning needs of employees, the FDIC responded with flexible course scheduling, additional instructor-led and online courses, electronic performance support systems, and greater access to online resources via a newly redesigned intranet website.

In support of business requirements, the Corporation developed two new pre-commissioning courses for compliance examiners, a revised certificate program focused on the receivership and resolution function, and online toolkits for mid-career examiners. In addition to technical training, the Corporation also continued to focus on the development of all employees and future leaders by launching additional leadership development courses and electives. The FDIC's leadership development curriculum supports the regulations issued by the Office of Personnel Management in December 2009 on succession planning and development for managers and supervisors. Additionally in 2010, the capabilities of the learning management system were expanded to allow the Corporation to track its employees' certificates and continuing education requirements.

"All of us share the credit for improving the corporate culture," said Chairman Sheila C. Bair, shown here displaying the FDIC's *Best Places to Work* award with (from left) Arleas Upton Kea, Benita Swann, Jesse Villarreal, Ira Kitmacher, and Brenda Hardnett.

To meet the challenges of a growing workforce and provide additional flexibility in employee learning and development, the Corporation located training facilities within the temporary satellite offices. The Corporation quickly assessed the specific needs of employees in these locations and delivered training on-site, thereby reducing the need for and expense associated with employee travel. The Corporation also undertook several knowledge management initiatives, capturing lessons learned from the current financial crisis so that future generations of FDIC employees and managers can benefit from the experience.

In 2010, the Corporation provided its employees with 172 instructor-led courses and 1,950 online courses to support various mission requirements. There were 16,010 instances of completed instructor-led courses and 32,850 instances of completed online courses.

Information Technology Management

IT resources are among the most valuable assets available to the FDIC in fulfilling its corporate mission. 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.

IT Support for Resolutions

During 2010, the FDIC provided prompt and effective IT support for all bank closings. This was accomplished by ensuring that application systems, technologies, and staff were available to support the FDIC's closing operations. In particular, the FDIC modernized its automated insured deposit claims process and increased the FDIC's capacity to process very large failed banks and multiple failed banks' information. The application supporting this process was critical to the FDIC's successful closing operations during 2010. Additionally, the non-deposit claims feature of this application increased efficiency of the overall closing process. This new subsystem introduced significant new technical capabilities to the FDIC.

IT Support for Asset Marketing

The FDIC's marketing of failed financial institution assets is a critical resolution and post-closing function to ensure the minimal loss possible from the closed institution. As the number of resolutions increased, so did IT operations and support for asset management. To ensure that the best possible application systems were available to support this critical function, the FDIC made a number of key enhancements to the Corporation's primary asset management system. During 2010, significant improvements were made in the stability, scalability, and performance of this application, which enabled the Corporation to keep pace with the large increase of assets resulting from 157 bank closings. The enhanced application now accommodates, with room for expansion, thousands of online users and tens of billions of dollars of assets for sale.

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, the protection of sensitive information, including personally identifiable information (PII), is 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 Corporation's business operations. Education and awareness are key components of the FDIC's privacy program. During 2010, the FDIC held its second Privacy Awareness Week event to raise employee awareness about identity theft and fraud prevention. In addition, the FDIC conducted a corporate wide campaign called "Sensitive Data: Handle with Care" to increase employee and contractor awareness about their responsibilities to safeguard sensitive data and PII. More recently, the FDIC also implemented a new "Think Privacy" awareness campaign that includes privacy tips on each employee's hardcopy earnings and leave statements and the nationwide distribution of lobby posters.

In response to the FDIC's increased reliance on third-party vendors that support bank post-closing activities, the FDIC performed privacy assessments of the five vendors that process significant amounts of sensitive bank-customer data during the loan sale and asset valuation process subsequent to a bank closing. To complete these assessments, the FDIC developed and implemented a privacy risk assessment questionnaire and tool in order to determine the maturity of the vendors' privacy program. In addition, the FDIC performed Privacy Impact Assessments, which collected information regarding the adequacy of their processes for handling and protecting the privacy and security of sensitive bank-customer data.

The FDIC has seen a sharp increase in the volume of needed information from failing institutions. To ensure that this increased data requirement does not increase its PII risk, the FDIC completed the second of three in-depth assessments of the bank closing process to identify and address risks to the privacy and security of bank-customer PII. A key outcome of this effort was the creation of a new Privacy Compliance Officer (PCO) role for each bank closing weekend. In this role, the PCO is the designated official responsible for monitoring privacy protection requirements during the bank closing weekend. In addition, during 2010, 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 was proactive in conducting unannounced privacy walkthroughs of its headquarters offices in order to check for unsecured sensitive data and PII and to increase employee and management awareness about protecting such data. Further, the FDIC also conducts an annual review of the Corporation's digital library to identify, monitor, reduce, and secure documents containing PII.

2 Financial Highlights

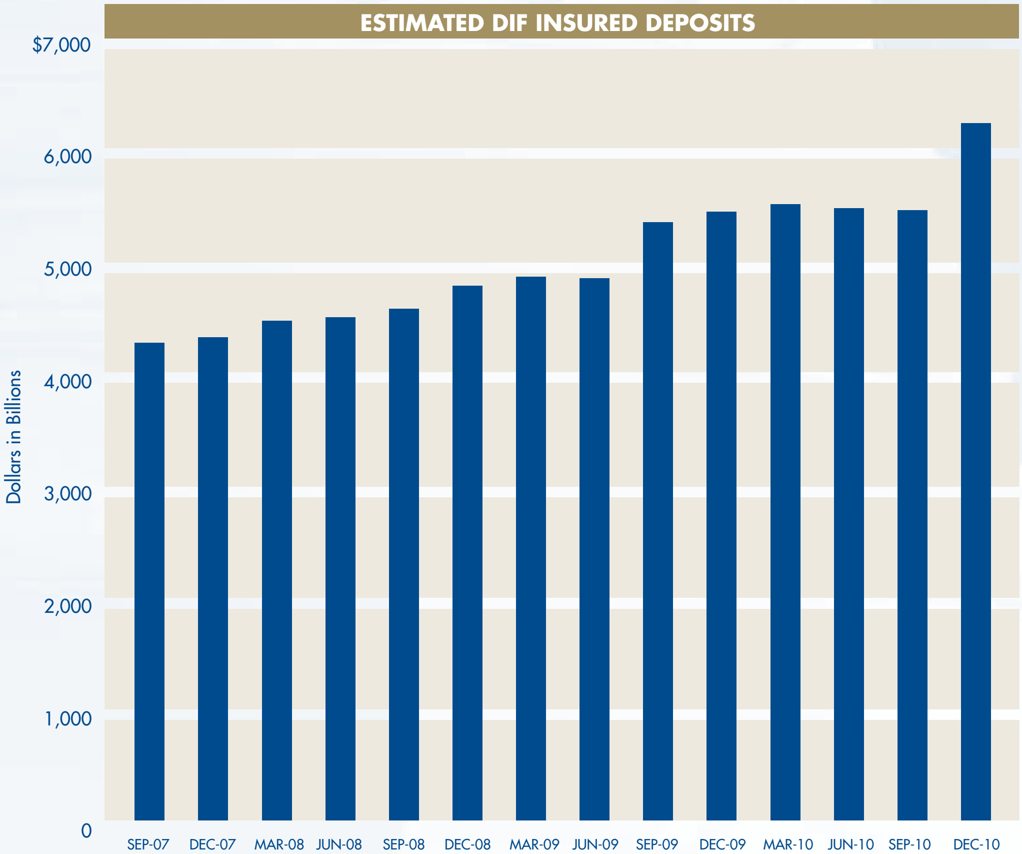
Deposit Insurance Fund Performance

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 2010, the DIF's comprehensive income was $13.5 billion compared to a comprehensive loss of $38.1 billion during 2009. This year-over-year change of $51.6 billion was primarily due to a $58.6 billion decline in the provision for insurance losses, partially offset by a $4.1 billion decrease in assessments earned (largely attributable to the 2009 special assessment).

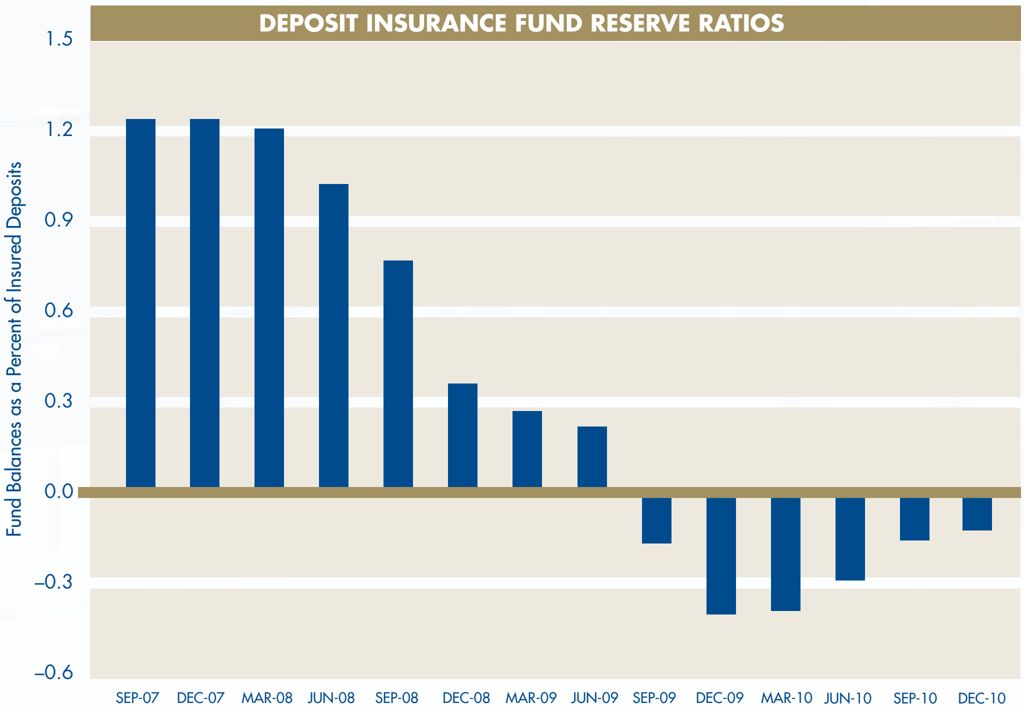
The provision for insurance losses was negative $848 million for 2010, compared to positive $57.7 billion for 2009. The 2009 provision reflected the significant losses estimated to be incurred by the DIF from the 2009 and future failures. In contrast, the 2010 negative provision is primarily impacted by a reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail and adjustments to the estimated losses for banks that have failed.

The DIF's total liquidity declined by $19.9 billion, or 30 percent, to $46.2 billion during 2010. The decrease was primarily the result of disbursing $28.8 billion to fund 157 bank failures during 2010, although it should be noted that 130 of these failures were resolved as cash-conserving loss-share transactions (in which the acquirers purchased substantially all of the failed institutions' assets and the FDIC and the acquirers entered into loss-share agreements) requiring lower initial resolution funding. Moreover, during 2010, the DIF received $13.6 billion in dividends and other payments from its receiverships, which helped to mitigate the DIF liquidity's decline.



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 Selected Statistics

	For the years ended December 31		
Dollars in Millions			
	2010	2009	2008
Financial Results			
Revenue	$13,380	$24,706	$7,306
Operating Expenses	1,593	1,271	1,033
Insurance and Other Expenses (includes provision for loss)	(1,518)	59,438	43,306
Net Income (Loss)	13,305	(36,003)	(37,033)
Comprehensive Income (Loss)	13,510	(38,138)	(35,137)
Fund Balance	$(7,352)	$(20,862)	$17,276
Reserve Ratio	(0.12) %	(0.39) %	0.36 %
Selected Statistics			
Total DIF-Member Institutions[1]	7,657	8,012	8,305
Problem Institutions	884	702	252
Total Assets of Problem Institutions	$390,017	$402,782	$159,405
Institution Failures	157	140	25
Total Assets of Failed Institutions in Year[2]	$92,085	$169,709	$371,945
Number of Active Failed Institution Receiverships	336	179	41

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

[2] 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 $3.4 billion in 2010, including $1.4 billion in ongoing operations and $2.0 billion in receivership funding. This represented approximately 96 percent of the approved budget for ongoing operations and 80 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.)

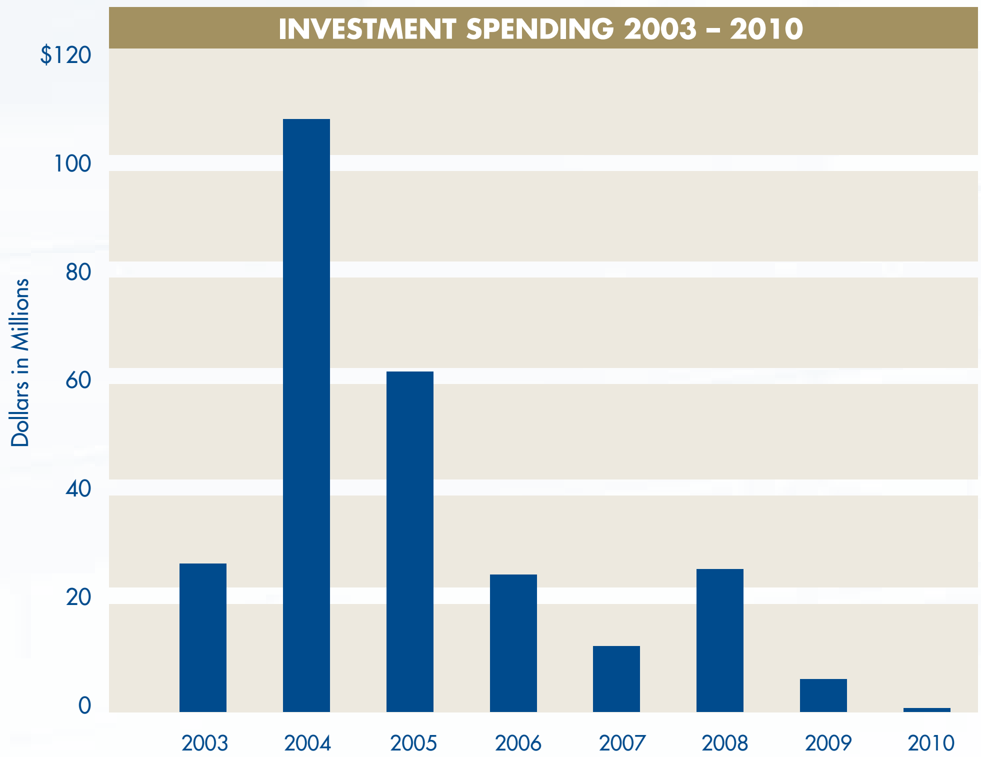
The Board of Directors approved a 2011 Corporate Operating Budget of approximately $3.9 billion, consisting of $1.7 billion for ongoing operations and $2.2 billion for receivership funding. The level of approved ongoing operations budget is approximately $251 million (18 percent) higher than actual 2010 ongoing operations expenses, while the approved receivership funding budget is roughly $205 million (10 percent) higher than actual 2010 receivership funding expenses.

As in prior years, the 2011 budget was formulated primarily on the basis of an analysis of projected workload for each of the Corporation's three major business lines and its major program support functions. The most significant factors contributing to the proposed increase in the ongoing operations component of the budget are further staffing increases for the Corporation's risk management and consumer protection supervisory programs in 2011; the implementation of a larger permanent staffing platform in the Division of Resolutions and Receiverships (DRR) to ensure the Corporation's future readiness to resolve failed banks; and the addition of a number of new positions to fulfill the Corporation's new responsibilities under the Dodd-Frank Act. In addition, the 2011 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. All of the projects in the current investment portfolio are major IT system initiatives. Proposed IT projects are carefully reviewed to ensure that they are consistent with the Corporation'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 Corporation undertook significant capital investments during the 2003-2010 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 $266.4 million during this period, peaking at $108.2 million in 2004. Spending for investment projects in 2010 totaled approximately $0.4 million. In 2011, investment spending is estimated at $7 million.



3 Performance Results Summary

Summary of 2010 Performance Results by Program

The FDIC successfully achieved 30 of the 34 annual performance targets established in its 2010 Annual Performance Plan. Three targets were deferred due to specific legislation in the Dodd-Frank Act. One target will be met in 2011. There were no instances in which 2010 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: Insurance

Performance Results

- Presented updated deposit insurance fund projections to the FDIC Board twice, in June and October 2010. No changes were recommended for assessment rates in June. In October, based on updated projections and changes to the Restoration Plan target required by the Dodd-Frank Act, staff recommended that the Board forgo the three basis point increase that was scheduled to take effect on January 1, 2011.
- In October, based on updated projections, staff estimated that the reserve ratio will become positive by year-end 2011 and will reach 1.15 percent by the fourth quarter of 2018. The FDIC intends to pursue rulemaking next year to implement the Dodd-Frank Act requirement that the FDIC offset the effect of requiring the reserve ratio reach 1.35 percent by September 30, 2020 rather than 1.15 percent by year-end 2016 on smaller banks.

Performance Results

- Completed reviews of the recent accuracy of the contingent loss reserves.
- 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.
- Supported supervision activities related to fair lending, enforcement actions, and the unbanked and underbanked survey, and supported efforts of the Advisory Committee on Economic Inclusion (ComE-In).
- Began a comprehensive study of the trends and events that contributed to the recent financial crisis.
- Provided senior/executive management policy research and analysis in support of legislative efforts to reform financial industry regulation, as well as support for testimonies 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*.
- Conducted over 40 outreach events for bankers and community groups to discuss risks affecting the financial services industry.
- Answered 99 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage within 14 days.
- Electronic Deposit Insurance Estimator (EDIE) user sessions for 2010 totaled 442,557.
- Expanded avenues for publicizing deposit insurance rules and resources by:
  - Enhancing EDIE to (1) incorporate new functionality that allows users to calculate coverage for irrevocable trust accounts and government accounts and (2) provide each FDIC-insured bank the opportunity to integrate the EDIE application into the bank's website.
  - Producing an updated version of the FDIC Overview Video on Deposit Insurance Coverage for consumers and new bank employees.
  - Updating the 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.
- Developed computer-based training for all FDIC examiners on FDIC deposit insurance coverage. The training provides an opportunity for all examiners to strengthen and enhance their knowledge of deposit insurance and the risks associated with insured institutions engaging in deposit placement activities.

PROGRAM AREA: Supervision and Consumer Protection

Performance Results

- Conducted 2,813 Bank Secrecy Act examinations, including required follow-up examinations and visitations.
- Conducted 2,121 IT examinations of financial institutions and technology service providers.
- Worked with other federal banking regulators and the Basel Committee on Banking Supervision to develop proposals to strengthen capital and liquidity requirements.
- Published Final Rulemaking for the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 and posted the final guidance to the FDIC website to implement provisions applicable to mortgage loan originators employed by insured depositories.
- Published the *Supervisory Insights* journal to contribute to and promote sound principles and best practices for bank supervision.
- Among other releases, issued Financial Institution Letters (FILs) providing guidance on (1) meeting the needs of creditworthy small business borrowers; (2) identifying, monitoring, and managing correspondent concentration risks; (3) prudent appraisal and evaluation programs; (4) incentive compensation practices; (5) golden parachute payments; (6) deposit collection and placement activities in FDIC-supervised institutions; and (7) registering as a municipal advisor under the Securities and Exchange Commission's new rule. In addition, 23 disaster relief FILs were issued.
- Issued industry notification of two interagency releases regarding conducting cross-border funds transfers and examination procedures for compliance with the Unlawful Internet Gambling Enforcement Act.
- Issued joint final Community Reinvestment Act (CRA) rule change corresponding to statutory requirements relating to student loans and activities in cooperation with minority- and women-owned financial institutions and low-income credit unions. In addition, issued final CRA rule that revised the definition of "community development" in the CRA regulations, to provide favorable CRA consideration for loans, investments, and services by financial institutions that directly support, enable or facilitate eligible projects and activities in designated target areas of the Neighborhood Stabilization Program (NSP) that are approved by the Department of Housing and Urban Development (HUD).
- Announced annual adjustment to the asset size thresholds used to define small bank, small savings associations, intermediate small bank and intermediate small savings associations under the CRA regulations.
- Updated interagency guidance on the CRA. Jointly issued, with other Federal Financial Institutions Examination Council member agencies, supervisory guidance on reverse mortgage products.
- Issued final supervisory guidance on overdraft payment programs, which reaffirms existing supervisory expectations and provides specific guidance with respect to automated overdraft payment programs.
- Issued guidance to assist lenders in meeting their compliance obligations under the National Flood Insurance Program (NFIP) during periods when the statutory authority of the Federal Emergency Management Agency (FEMA) to issue flood insurance contracts under the NFIP lapses; released compliance guide for state non-member banks wishing to use the model privacy form to comply with disclosure requirements

PROGRAM AREA: Supervision and Consumer Protection (continued)

Performance Results

under the Gramm-Leach-Bliley Act; issued financial institutions notice on FEMA announcement that Preferred Risk Policy eligibility will be extended two years beginning January 1, 2011.

- Issued examination procedures corresponding to amendments to Regulation CC (Expedited Funds Availability); Regulation Z (Truth in Lending) under the Credit Card Accountability Responsibility and Disclosure Act of 2009, the Higher Education Opportunity Act of 2008, and the Helping Families Save Their Homes Act of 2009; Regulation DD (Truth in Savings); Regulation E (Electronic Fund Transfers); the Fair Credit Reporting Act (FCRA) Furnisher Rule; and the FCRA Risk-Based Pricing Rule.
- Issued examination procedures for identifying Unfair or Deceptive Acts or Practices that are violations of Section 5 of the Federal Trade Commission Act as well as for reviewing third-party relationships and identifying associated risks.

PROGRAM AREA: Receivership Management

Performance Results

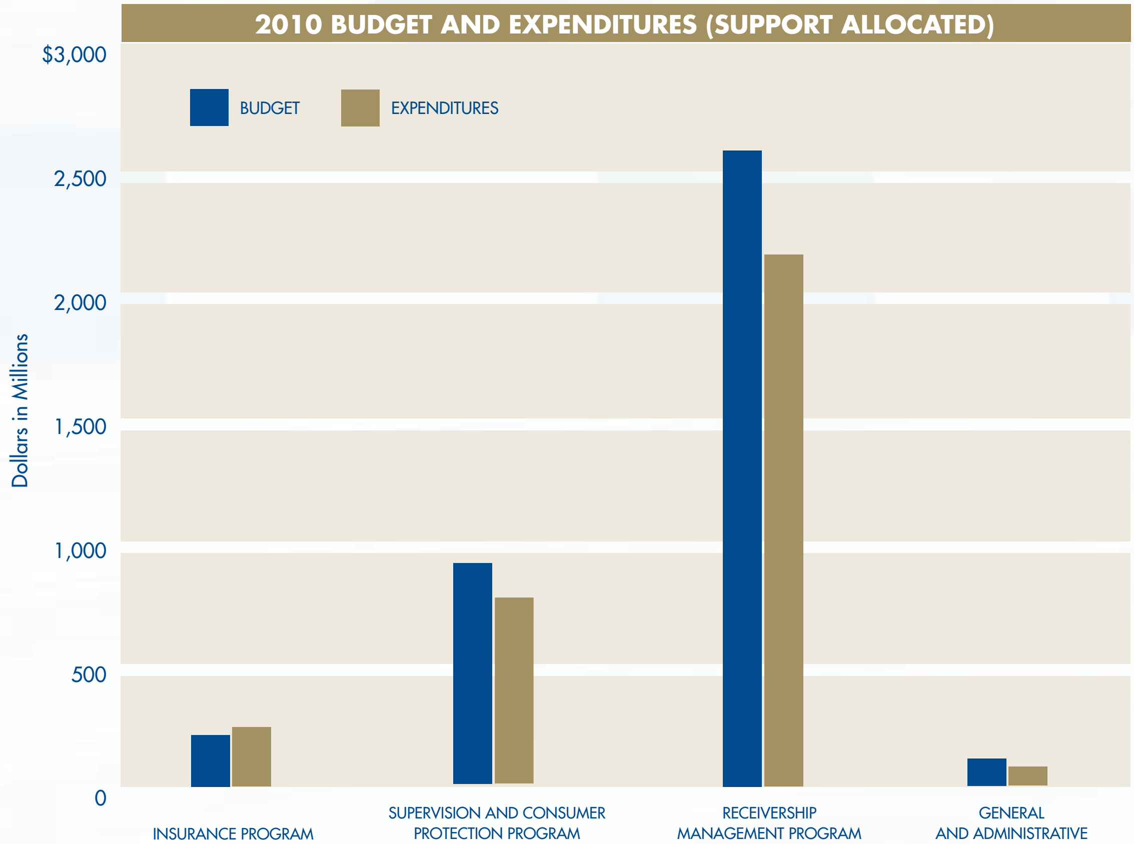
- Adopted a final rule requiring the largest IDIs to adopt mechanisms that would, in the event of the institution's failure, (1) provide the FDIC with standard deposit account and other customer information and (2) allow the placement and release of holds on liability accounts, including deposits.
- Identified and implemented program improvements to ensure efficient and effective management of the contract resources used to perform receivership management functions. Implemented enhanced reporting capabilities from the Automated Procurement System.
- Optimized the effectiveness of oversight managers and technical monitors by restructuring work assignments, providing enhanced technical support, and improving supervision.
- 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.

2010 Budget and Expenditures by Program

(Excluding Investments)

The FDIC budget for 2010 totaled $4.0 billion. Excluding $198 million, or 5 percent, for Corporate General and Administrative expenditures, budget amounts were allocated to corporate programs as follows: $205 million, or 5 percent, to the Insurance program; $927 million, or 23 percent, to the Supervision and Consumer Protection program; and $2.7 billion, or 67 percent, to the Receivership Management program.

Actual expenditures for the year totaled $3.4 billion. Excluding $157 million, or 5 percent, for Corporate General and Administrative expenditures, actual expenditures were allocated to programs as follows: $274 million, or 8 percent, to the Insurance program; $787 million, or 23 percent, to the Supervision and Consumer Protection program; and $2.2 billion, or 64 percent, to the Receivership Management program.



Performance Results by Program and Strategic Goal

2010 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 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. 43.
			Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.	Achieved. See pg. 43
		Insured depositor losses resulting from a financial institution failure.	There are no depositor losses on insured deposits.	Achieved. See pg. 43.
			No appropriated funds are required to pay insured depositors.	Achieved. See pg. 43.
2	Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public, and other stakeholders.	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. 56.
			Undertake industry outreach activities to inform bankers and other stakeholders about current trends, concerns, and other available FDIC resources.	Achieved. See pg. 56.
3	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.	Update projections and recommend changes for assessments, as necessary.	Provide updated fund projections to the FDIC Board of Directors by June 30, 2010, and December 31, 2010.	Achieved. See pgs. 18, 55.
			Recommend deposit insurance assessment rates for the DIF to the FDIC Board as necessary.	Achieved. See pgs. 18, 55.
		Monitor progress in achieving the Amended Restoration Plan.	Provide updates to the FDIC Board by June 30, 2010, and December 31, 2010.	Achieved. See pgs. 18, 55.
4	Expand and strengthen the FDIC's participation and leadership role in supporting robust international deposit insurance 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. 25-27.
			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. 24-27.
			Develop methodology for assessing compliance with implementation of the *Core Principles for Effective Deposit Insurance Systems.*	Achieved. See pgs. 24-25.

2010 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.	One hundred percent of required risk management examinations are conducted on schedule.	Achieved. See pgs. 27-28.
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.	Percentage of follow-up examinations and on-site visits of 3-, 4-, or 5-rated institutions conducted within required time frames.	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. See pgs. 27-29.
			One hundred percent of required follow-up examinations are conducted within 12 months of completion of the prior examination to confirm that identified problems have been corrected.	Achieved. See pgs. 27-29.
3	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.	One hundred percent of required Bank Secrecy Act examinations are conducted on schedule.	Achieved. See pg. 27.

2010 Supervision and Consumer Protection Program Results (continued)

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

#	Annual Performance Goal	Indicator	Target	Results
4	More closely align regulatory capital with risk and ensure that capital is maintained at prudential levels.	Final Basel II Standardized Approach.	Complete by December 31, 2010, the rulemaking for implementing the Standardized Approach for an appropriate subset of U.S. banks.	Deferred. See pg. 55.
		Controls on banks' use of internal or external ratings.	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. See pg. 31.
		Revisions to the Market Risk Amendment of 1996.	Complete by December 31, 2010, the rulemaking for implementing revisions to the Market Risk Amendment of 1996.	Deferred. See pg. 55.
		Revisions to regulatory capital charges for resecuritizations and asset-backed commercial paper liquidity facilities.	Complete by December 31, 2010, the rulemaking for implementing revisions to regulatory capital charges for resecuritizations and asset-backed commercial paper liquidity facilities.	Deferred. See pg. 55.

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

#	Annual Performance Goal	Indicator	Target	Results
5	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 statutory requirements and FDIC policy.	One hundred percent of required examinations are conducted on schedule.	Achieved. See pgs. 27-28.
6	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 visitations of 3-, 4-, and 5-rated institutions conducted within required time frames.	One hundred percent of follow-up examinations or visitations are conducted within 12 months of completion of the prior examination to confirm that the institution is fulfilling the requirements of the corrective program and that the identified problems have been corrected.	Achieved. See pgs. 27, 29.

2010 Supervision and Consumer Protection Program Results (continued)

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

#	Annual Performance Goal	Indicator	Target	Results
7	Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.	Timely responses to written consumer complaints and inquiries.	Responses are provided 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. 41.
8	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.	Facilitate completion of final recommendation on the initiatives identified in the Advisory Committee's strategic plan.	Achieved. See pg. 37.
			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. See pgs. 37-40.

2010 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. 43.
2	Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.	Percentage of failed institution's assets marketed.	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. 43.
		Enhancements to contract management program.	Implement enhanced reporting capabilities from the Automated Procurement System.	Achieved. See pg. 44.
			Ensure that all newly designated oversight managers and technical monitors receive training in advance of performing contract administration responsibilities.	Achieved. See pg. 44.
			Optimize the effectiveness of oversight managers and technical monitors by restructuring work assignments, providing enhanced technical support, and improving supervision.	Achieved. See pg. 58.

2010 Receivership Management Program Results (continued)

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

#	Annual Performance Goal	Indicator	Target	Results
3	Manage the receivership estate and its subsidiaries toward an orderly termination.	Timely termination of new receiverships.	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. See pg. 58.
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.	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, a decision is made to close or pursue claims within 18 months of the failure date.	Achieved. See pg. 58.

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	2009	2008	2007
1. Respond promptly to all financial institution closings and 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.	Achieved.
There are no depositor losses on insured deposits.	Achieved.	Achieved.	
No appropriated funds are required to pay insured depositors.	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.	Achieved.
Identify and follow up on all material issues raised through off-site review and analysis.	Achieved.	Achieved.	Achieved.

2010 Insurance Program Results (continued)

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

Annual Performance Goals and Targets	2009	2008	2007
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.	Achieved.
Address potential risks from cross-border banking instability through coordinated review of critical issues and, where appropriate, negotiate agreements with key authorities.		Achieved.	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.
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. 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.		
Implement the new deposit insurance pricing system.			Achieved.
Review the effectiveness of the new pricing regulations that were adopted to implement the reform legislation.		Achieved.	
Complete and issue guidance on the pricing of deposit insurance for large banks.			Achieved.
Enhance the additional risk measures used to adjust assessment rates for large institutions.		Achieved.	
Publish an ANPR seeking comment on a permanent dividend system.			Achieved.
Develop a final rule on a permanent dividend system.		Achieved.	

Insurance Program Results (continued)

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

Annual Performance Goals and Targets	2009	2008	2007
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.	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.	Achieved.
Monitor progress in achieving the restoration plan.	Achieved.		
6. 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.			
Publish a comprehensive and authoritative resource guide for bankers, attorneys, financial advisors and similar professionals on the FDIC's rules and requirements for deposit insurance coverage of revocable and irrevocable trust accounts.			Achieved.
Conduct at least three sets of Deposit Insurance Seminar/teleconferences (per quarter in 2009) for bankers.	Achieved.	Achieved.	
Conduct a series of national teleconferences for insured financial institutions to address current questions and issues relating to FDIC insurance coverage of deposit accounts.			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.	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.		
7. 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.			
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 regulations, failure resolution and deposit insurance practices.	Achieved.	Achieved.	Achieved.

Supervision and Consumer Protection Program Results

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

Annual Performance Goals and Targets	2009	2008	2007
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 problems identified during the FDIC examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of "4" or "5" (problem institution). Monitor FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions.			
One hundred percent of follow-up examinations are conducted within 12 months of completion of the prior examination.	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.	
4. Increase regulatory knowledge to keep abreast of current issues related to money laundering and terrorist financing.			
An additional 10 percent of BSA/AML subject-matter experts nationwide are certified under the Association of Certified Anti-Money Laundering Specialists certification program.			Achieved.
5. 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.	
Further develop the Basel II framework to ensure that it does not result in a substantial reduction in risk-based capital requirements or significant competitive inequities among different classes of banks. Consider alternative approaches for implementing the Basel Capital Accord.			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.		
Promote international cooperation on the adoption of supplemental capital measures in countries that will be operating under Basel II.			Achieved.
Participate in the continuing analysis of the projected results of the new capital regime.			Achieved.
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.	
Complete rulemaking on Basel IA.			Not Applicable.

Supervision and Consumer Protection Program Results (continued)

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

Annual Performance Goals and Targets	2009	2008	2007
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.	Achieved.
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.	
Applicable provisions of the Financial Services Regulatory Relief Act of 2006 (FSRRA) are implemented in accordance with statutory requirements.			Partially Achieved.
Support is provided to the Government Accountability Office (GAO), as requested, for studies required under FSRRA.			Achieved.
State AML assessments of Money Service Businesses (MSB) are incorporated into FDIC risk management examinations in states where MSB AML regulatory programs are consistent with FDIC risk management standards.			Partially Achieved.

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

1. Conduct CRA and compliance examinations 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 a "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.	Not Achieved.	Achieved.	Achieved.
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.	
An analysis is completed for all institutions on the prevalence and scope of repeat instances of significant violations from the previous compliance examination.			Achieved.
A determination is made regarding the need for changes to current FDIC and FFIEC guidance on follow-up supervisory action on significant violations identified during compliance examinations based on the substance and level of risk posed to consumers by these repeat violations.			Achieved.

Supervision and Consumer Protection Program Results (continued)

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

Annual Performance Goals and Targets	2009	2008	2007
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.	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.	
200,000 additional individuals are taught using the *Money Smart* curriculum.			Achieved.
120 school systems and government entities are contacted to make them aware of the availability of *Money Smart* as a tool to teach financial education to high school students.			Achieved.
A review of existing risk management and compliance/CRA examination guidelines and practices is completed to ensure that they encourage and support the efforts of insured financial institutions to foster economic inclusion, consistent with safe and sound banking practices.			Achieved.
A pilot project is conducted with banks near military installations to provide small-dollar loan alternatives to high-cost payday lending.			Not Achieved.
Strategies are developed and implemented to encourage FDIC-supervised institutions to offer small-denomination loan programs.			Achieved.
Research is conducted and findings disseminated on programs and strategies to encourage and promote broader economic inclusion within the nation's banking system.			Achieved.
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.	

Supervision and Consumer Protection Program Results (continued)

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

Annual Performance Goals and Targets	2009	2008	2007
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 consumer complaints about FDIC-supervised financial institutions.			
Responses are provided to 95 percent (90 percent for 2007-08) 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.

Receivership Management Program Results

Strategic Goal: Recovery to creditors of receiverships is achieved.

Annual Performance Goals and Targets	2009	2008	2007
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.	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.	Achieved.
Terminate at least 75 percent of new receiverships within three years of the date of failure.	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.	Not Applicable. No claims within the 18-month period.

Program Evaluation

Program evaluations are designed to improve the operational effectiveness of the FDIC's programs and ensure that objectives are met. These evaluations are often led by the Office of Enterprise Risk Management (OERM) and are generally interdivisional, collaborative efforts involving management and staff from the affected program(s).

The Corporation's 2010 Annual Performance Plan contained several objectives aimed at ensuring that the FDIC would continue to address key corporate issues, including continuing work on issues relating to contract oversight management, anticipated increases in bank failures, and continuous improvements to the FDIC's core business functions.

During 2009, in direct response to challenges associated with the financial crisis, the FDIC created six internal organizations and working groups to address areas of increased risk to ensure that both the FDIC's core businesses and new responsibilities were being managed as effectively as possible. During 2010, OERM and other areas of the Corporation continued this work. The six initiatives are tied to: 1) Legacy Loans; 2) Systemic Resolution Authority; 3) Temporary Liquidity Guarantee Program; 4) Loss-Share Agreements; 5) Contract Management Oversight; and 6) Resource Management. For each initiative, key issues and risks were identified, action plans and performance metrics were developed as necessary, and the Chairman was briefed on at least a monthly basis. In many cases, enhancements to operating procedures and automated systems of support were made as a direct result of this heightened management attention. Significantly, all identified program needs have been coordinated with those persons responsible for planning, budgeting, staffing, and ensuring the adequacy of infrastructure support.

These and other actions were taken in addition to evaluations that are part of the Corporation's ongoing efforts to seek continuous improvements in its programs and operations. Some of these 2010 initiatives included: reviews of financial management and controls governing contract operations; the sampling and testing of transaction accuracy and controls; improved communication between our examination and receivership activities; and continued scrutiny of systems development efforts to support our new and/or expanded business activities.

Program evaluation activities in 2011 will focus on key corporate issues, including implementation of the Dodd-Frank Act, corporate reorganization, control testing, and continuous improvements to the FDIC's core business functions.

4 Financial Statements and Notes

Deposit Insurance Fund

Federal Deposit Insurance Corporation

Deposit Insurance Fund Balance Sheet at December 31		
Dollars in Thousands		
	2010	2009
Assets		
Cash and cash equivalents	$27,076,606	$54,092,423
Cash and investments - restricted - systemic risk (Note 16) *(Includes cash/cash equivalents of $5,030,369 at December 31, 2010 and $6,430,589 at December 31, 2009)*	6,646,968	6,430,589
Investment in U.S. Treasury obligations, net (Note 3)	12,371,268	5,486,799
Assessments receivable, net (Note 9)	217,893	280,510
Receivables and other assets - systemic risk (Note 16)	2,269,422	3,298,819
Trust preferred securities (Note 5)	2,297,818	1,961,824
Interest receivable on investments and other assets, net	259,683	220,588
Receivables from resolutions, net (Note 4)	29,532,545	38,408,622
Property and equipment, net (Note 6)	416,065	388,817
Total Assets	**$81,088,268**	**$110,568,991**
Liabilities		
Accounts payable and other liabilities	$514,287	$273,338
Unearned revenue - prepaid assessments (Note 9)	30,057,033	42,727,101
Liabilities due to resolutions (Note 7)	30,511,877	34,711,726
Deferred revenue - systemic risk (Note 16)	9,054,541	7,847,447
Postretirement benefit liability (Note 13)	165,874	144,952
Contingent liabilities for:		
Anticipated failure of insured institutions (Note 8)	17,687,569	44,014,258
Systemic risk (Note 16)	149,327	1,411,966
Litigation losses (Note 8)	300,000	300,000
Total Liabilities	**88,440,508**	**131,430,788**
Commitments and off-balance-sheet exposure (Note 14)		
Fund Balance		
Accumulated Net Loss	(7,696,428)	(21,001,312)
Unrealized Gain on U.S. Treasury investments, net (Note 3)	26,698	142,127
Unrealized postretirement benefit Loss (Note 13)	(18,503)	(2,612)
Unrealized Gain on trust preferred securities (Note 5)	335,993	0
Total Fund Balance	**(7,352,240)**	**(20,861,797)**
Total Liabilities and Fund Balance	**$81,088,268**	**$110,568,991**

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

Deposit Insurance Fund

Federal Deposit Insurance Corporation

Deposit Insurance Fund Statement of Income and Fund Balance for the Years Ended December 31		
Dollars in Thousands		
	2010	2009
Revenue		
Interest on U.S. Treasury obligations	$204,871	$704,464
Assessments (Note 9)	13,610,436	17,717,374
Systemic risk revenue (Note 16)	(672,818)	1,721,626
Realized gain on sale of securities	0	1,389,285
Other revenue (Note 10)	237,425	3,173,611
Total Revenue	**13,379,914**	**24,706,360**
Expenses and Losses		
Operating expenses (Note 11)	1,592,641	1,271,099
Systemic risk expenses (Note 16)	(672,818)	1,721,626
Provision for insurance losses (Note 12)	(847,843)	57,711,772
Insurance and other expenses	3,050	4,447
Total Expenses and Losses	**75,030**	**60,708,944**
Net Income (Loss)	**13,304,884**	**(36,002,584)**
Unrealized Loss on U.S. Treasury investments, net	(115,429)	(2,107,925)
Unrealized postretirement benefit Loss (Note 13)	(15,891)	(27,577)
Unrealized Gain on trust preferred securities (Note 5)	335,993	0
Comprehensive Income (Loss)	**13,509,557**	**(38,138,086)**
Fund Balance - Beginning	**(20,861,797)**	**17,276,289**
Fund Balance - Ending	**$(7,352,240)**	**$(20,861,797)**

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

Deposit Insurance Fund

Federal Deposit Insurance Corporation

Deposit Insurance Fund Statement of Cash Flows for the Years Ended December 31		
Dollars in Thousands		
	2010	2009
Operating Activities		
Net Income (Loss):	**$13,304,884**	**$(36,002,584)**
Adjustments to reconcile net income to net cash (used by) provided by operating activities:		
Amortization of U.S. Treasury obligations	(5,149)	210,905
Treasury inflation-protected securities inflation adjustment	(23,051)	10,837
Gain on sale of U.S. Treasury obligations	0	(1,389,285)
Depreciation on property and equipment	68,790	70,488
Loss on retirement of property and equipment	620	924
Provision for insurance losses	(847,843)	57,711,772
Unrealized Loss on postretirement benefits	(15,891)	(27,577)
Guarantee termination fee from Citigroup	0	(1,961,824)
Change In Operating Assets and Liabilities:		
Decrease in assessments receivable, net	62,617	737,976
(Increase) Decrease in interest receivable and other assets	(34,194)	192,750
(Increase) in receivables from resolutions	(16,607,671)	(60,229,760)
Decrease (Increase) in receivable - systemic risk	1,029,397	(2,160,688)
Increase in accounts payable and other liabilities	240,949	140,740
Increase in postretirement benefit liability	20,922	30,828
(Decrease) in contingent liabilities - systemic risk	(1,262,639)	(25,672)
(Decrease) Increase in liabilities due to resolutions	(4,199,849)	29,987,265
(Decrease) Increase in unearned revenue - prepaid assessments	(12,670,068)	42,727,101
Increase in deferred revenue - systemic risk	1,203,936	5,769,567
Net Cash (Used by) Provided by Operating Activities	**(19,734,240)**	**35,793,763**
Investing Activities Provided by:		
Maturity of U.S. Treasury obligations	21,558,000	6,382,027
Sale of U.S. Treasury obligations	0	15,049,873
Investing Activities Used by:		
Purchase of property and equipment	(96,659)	(91,468)
Purchase of U.S. Treasury obligations	(30,143,138)	0
Net Cash (Used by) Provided by Investing Activities	**(8,681,797)**	**21,340,432**
Net (Decrease) Increase in Cash and Cash Equivalents	**(28,416,037)**	**57,134,195**
Cash and Cash Equivalents - Beginning	**60,523,012**	**3,388,817**
Unrestricted Cash and Cash Equivalents - Ending	**27,076,606**	**54,092,423**
Restricted Cash and Cash Equivalents - Ending	**5,030,369**	**6,430,589**
Cash and Cash Equivalents - Ending	**$32,106,975**	**$60,523,012**

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

Notes to the Financial Statements
Deposit Insurance Fund
December 31, 2010 and 2009

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, as amended, the FDIC insures the deposits of banks and savings associations (insured depository institutions), and in cooperation with other federal and state agencies promotes the safety and soundness of insured depository institutions by identifying, monitoring and addressing risks to the Deposit Insurance Fund (DIF). An active institution's primary federal supervisor is generally determined by the institution's charter type. Commercial and savings banks are supervised by either the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve Board, while savings associations (known as "thrifts") are supervised by the Office of Thrift Supervision (OTS). (See "Recent Legislation" below for certain OTS functional responsibilities to be transferred to the FDIC in the future.)

The FDIC is the administrator of the DIF and is responsible for protecting insured bank and thrift depositors from loss due to institution failures. The FDIC is required by 12 U.S.C. 1823(c) to resolve troubled institutions in a manner that will result in the least possible cost to DIF unless a systemic risk determination is made that compliance with the least-cost test would have serious adverse effects on economic conditions or financial stability and any action or assistance taken under the systemic risk determination would avoid or mitigate such adverse effects. A systemic risk determination under this statutory provision can only be invoked 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 recent legislation (see "Recent Legislation" below), a systemic risk determination could permit open bank assistance. 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 insured depository institutions 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 to fund their respective mandates of the FDIC.

Pursuant to the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) on July 21, 2010 (see "Recent Legislation" below), 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 deposited in the OLF and 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 new responsibilities include: 1) broad authority to liquidate failing systemic 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) back-up examination authority for nonbank financial companies supervised by the FRB and bank holding companies with at least $50 billion in assets; 5) back-up enforcement actions against depository institution holding companies if their conduct or threatened conduct poses a risk of loss to the DIF; and 6) federal oversight of state-chartered thrifts upon the transfer of such authority from OTS (between 12 and 18 months after enactment of the Dodd-Frank Act, currently set for July 21, 2011).

The Dodd-Frank Act limits the systemic risk determination authority under 12 U.S.C. 1823(c) to DIF-insured depository institutions for which the FDIC has been appointed receiver and requires that any action taken or assistance provided under this authority must be for the purpose of winding up the insured depository institution in receivership. Under Title XI of the Act, the FDIC is granted new authority to establish a widely available program to guarantee obligations of solvent insured depository institutions or solvent depository institution holding companies (including affiliates) upon systemic determination of a liquidity event during times of severe economic distress. This program would not be DIF-funded; it would be funded 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 insufficiency. Any excess funds at the end of the liquidity event program would be deposited in the General Fund of the Treasury.

The new law also makes 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 non-interest bearing transaction accounts for two years, from December 31, 2010 to the end of 2012. Additionally, the legislation changes the assessment base (from a deposits-based formula to one based on assets) and establishes 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 DIF-insured institutions and 2) resolve failed DIF-insured institutions 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 insured depository institutions. The FDIC has borrowing authority of $100 billion from the Treasury and a Note Purchase Agreement with the FFB not to exceed $100 billion to enhance the DIF's ability to fund deposit insurance 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 $106.3 billion and $118.2 billion as of December 31, 2010 and 2009, 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 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 loss-share agreements); liabilities due to resolutions; the estimated losses for anticipated failures, litigation, and representations and warranties; guarantee obligations for the Temporary Liquidity Guarantee Program 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 (GAS) 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, any changes in supervisory examination and debt issuer ratings for larger institutions, and a modest deposit insurance 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 for additional information on assessments.)

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.

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

- Accounting Standards Update (ASU) No. 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, modified Accounting Standards Codification (ASC) Topic 810, *Consolidation*, to incorporate the provisions of former Statement of Financial Accounting Standards (SFAS) No. 167, *Amendments to FASB Interpretation No. 46(R)*, effective for reporting periods beginning after November 15, 2009. The provisions of ASC 810 require that an enterprise make qualitative assessments of its relationship with a variable interest entity (VIE) based on the enterprise's 1) power to direct the activities that most significantly impact the economic performance of the VIE and 2) obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If the relationship causes the variable interest holder to have both of these characteristics, the enterprise is considered the primary beneficiary and must consolidate the VIE. During 2010, selected 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). In accordance with the provisions of ASC 810, an analysis of each structured transaction was performed to determine whether the terms of the legal agreements extended rights that would cause the FDIC in its corporate capacity to be characterized as the primary beneficiary. The conclusion of these analyses was that the

FDIC in its corporate capacity did not have the power to direct the significant activities of any entity with which it was involved at December 31, 2010 and therefore, there is no current consolidation requirement for the DIF 2010 financial statements. 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 LLC or trust was determined to be the most significant activity. In other cases, it was determined that there were no significant ongoing 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. 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 implications for ASC 810 provisions.

- ASU No. 2009-16, *Accounting for Transfers of Financial Assets* modified ASC Topic 860, *Transfers and Servicing*, to incorporate the provisions of former SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140*, effective for reporting periods beginning after November 15, 2009. The provisions of ASC 860 remove the concept of a qualifying special purpose entity, change the requirements for derecognizing financial assets and require additional disclosures about a transferor's continuing involvement with transferred assets. The DIF has not engaged in any transfers of financial assets or financial liabilities; thus, there is no current impact to these financial statements for 2010.
- ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements*, requires enhanced disclosures for significant transfers into and out of Level 1 (measured using quoted prices in active markets) and Level 2 (measured using other observable inputs) of the fair value measurement hierarchy. These disclosures are effective for interim and annual reporting periods beginning after December 15, 2009. The required disclosures are included in Note 15. Separate disclosure of the gross purchases, sales, issuances, and settlements activity for Level 3 (measured using unobservable inputs) fair value measurements will become effective for fiscal years beginning after December 15, 2010. Currently, the additional disclosures are not expected to impact the DIF.

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

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

As of December 31, 2010 and 2009, investments in U.S. Treasury obligations, net, were $12.4 billion and $5.5 billion, respectively. As of December 31, 2010 and 2009, the DIF held $2.0 billion and $2.1 billion, respectively, of Treasury Inflation-Protected Securities (TIPS). These securities 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, 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)**	**$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.

Total Investment in U.S. Treasury Obligations, Net at December 31, 2009						
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	5.04%	$3,058,000	$3,062,038	$48,602	$0	$3,110,640
After 1 year through 5 years	4.15%	300,000	302,755	11,648	0	314,403
U.S. Treasury Inflation-Protected Securities						
After 1 year through 5 years	3.14%	1,968,744	1,979,879	81,877	0	2,061,756
Total		**$5,326,744**	**$5,344,672**	**$142,127**	**$0**	**$5,486,799**

(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 1.1 percent, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2009.

4. Receivables from Resolutions, Net

Receivables from Resolutions, Net at December 31		
Dollars in Thousands		
	2010	2009
Receivables from closed banks	$115,896,763	$98,647,508
Allowance for losses	(86,364,218)	(60,238,886)
Total	**$29,532,545**	**$38,408,622**

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 loss-share agreement 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, 2010, there were 336 active receiverships which include 157 established in 2010. As of December 31, 2010 and 2009, DIF resolution entities held assets with a book value of $49.9 billion and $49.3 billion, respectively (including cash, investments, and miscellaneous receivables of $22.9 billion and $7.7 billion, respectively). Ninety-nine percent of the current asset book value of $49.9 billion are 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 were 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 loss-share agreement, the projected future loss-share 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 loss-share cost projections are based on the covered assets' intrinsic value which is determined using financial models that consider the quality and type of covered assets, current and future market conditions, risk factors and estimated asset holding periods. For year-end 2010 financial reporting, the loss-share cost estimates were updated for the majority (62% or 137) of the 222 active loss-share agreements; the remaining 85 were already based on recent loss estimates. The updated loss projections for the larger loss-share agreements were primarily based on new third-party valuations estimating the cumulative loss of loss-share covered assets. For the smaller loss-share agreements, the loss projections were based on a financial model that applies recent aggregate asset valuation recovery rates against current loss-share covered asset balances.

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 Loss-Share Agreements

Since the beginning of 2008, the FDIC resolved 223 failures using a Whole Bank Purchase and Assumption resolution transaction with an accompanying loss-share agreement 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 a loss-share agreement, where the FDIC agrees to share in future losses and recoveries experienced by the acquirer on those assets covered under the agreement. Loss-share agreements are used by the FDIC to keep assets in the private sector and minimize disruptions to loan customers.

Losses on the covered assets are shared between the acquirer and the FDIC in its capacity as receiver 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 loss-share agreement. 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 up to a stated threshold amount (which varies by agreement) and the acquiring bank covering 20 percent. Typically, any losses above the stated threshold amount will be reimbursed by the receiver at 95 percent of the losses booked by the acquirer. (For agreements executed after March 26, 2010, the threshold was eliminated and generally 80% of all losses are covered by the receiver.) As mentioned above, the estimated loss-share 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 loss-share claims are asserted and proven, DIF receiverships will satisfy these loss-share 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).

Through December 31, 2010, DIF receiverships are estimated to pay approximately $38.8 billion over the duration of these loss-share agreements on approximately $193.0 billion in total covered assets at the inception date of these agreements. To date, 158 receiverships have made loss-share payments totaling $8.3 billion.

Concentration of Credit Risk

Financial instruments that potentially subject the DIF to concentrations of credit risk are receivables from resolutions. The repayment of DIF's receivables from resolutions is primarily influenced by recoveries on assets held by DIF receiverships and payments on the covered assets under loss-sharing agreements. The majority of the $184.4 billion in remaining assets in liquidation ($27.0 billion) and current loss-share covered assets ($157.4 billion) are concentrated in commercial loans ($104.4 billion), residential loans ($56.3 billion), and structured transaction-related assets as described in Note 8 ($12.8 billion). Most of the assets in these asset types originated from failed institutions located in California ($53.4 billion), Florida ($20.8 billion), Illinois ($15.7 billion), Puerto Rico ($15.3 billion), and Alabama ($14.6 billion).

5. Trust Preferred Securities

On January 15, 2009, subject to a systemic risk determination, the Treasury, the FDIC and the Federal Reserve Bank of New York executed terms of a guarantee agreement 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 loss-share guarantee at inception, the FDIC received $3.025 billion of Citigroup's preferred stock (Series G). On July 30, 2009, all shares of preferred stock initially received were exchanged for 3,025,000 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. The Treasury initially received $4.034 billion in preferred stock for its loss-share protection and received an equivalent, aggregate amount of $4.034 billion in trust preferred securities at the time of the exchange for TruPs.

On December 23, 2009, Citigroup terminated the loss-share agreement citing improvements in its financial condition and in financial market stability. The FDIC incurred no loss from the guarantee prior to termination of the agreement. In connection with the early termination of the guarantee program, the Treasury and the FDIC agreed that Citigroup would reduce the combined $7.1 billion liquidation amount of the TruPs by $1.8 billion. Pursuant to an agreement between the Treasury and the FDIC, TruPs held by the Treasury were reduced by $1.8 billion and the FDIC initially retained all of its TruPs holdings of $3.025 billion. 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 by the FDIC for guaranteed debt instruments issued by Citigroup or any of its affiliates under the Temporary Liquidity Guarantee Program (TLGP; see Note 16). This transfer will occur 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 as described in 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*. Upon termination of the guarantee agreement, the DIF recognized revenue in 2009 of $1.962 billion for the fair value of the TruPs (see Note 10). At December 31, 2010, the fair value of the TruPs was $2.298 billion (see Note 15). An unrealized holding gain of $336 million in 2010 is included in other comprehensive income.

6. Property and Equipment, Net

Property and Equipment, Net at December 31		
Dollars in Thousands		
	2010	2009
Land	$37,352	$37,352
Buildings (including leasehold improvements)	312,173	295,265
Application software (includes work-in-process)	122,736	179,479
Furniture, fixtures, and equipment	144,661	117,430
Accumulated depreciation	(200,857)	(240,709)
Total	**$416,065**	**$388,817**

The depreciation expense was $69 million and $70 million for 2010 and 2009, respectively.

7. Liabilities Due to Resolutions

As of December 31, 2010 and 2009, the DIF recorded liabilities totaling $30.4 billion and $34.5 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. Eighty-nine percent of these liabilities are due to failures resolved under a whole bank purchase and assumption transaction, most with an accompanying loss-share agreement. The DIF satisfies these liabilities either by directly sending cash to the receiverships to fund loss-share and other expenses or by offsetting receivables from resolutions when a receivership declares a dividend.

In addition, there was $80 million and $150 million in unpaid deposit claims related to multiple receiverships as of December 31, 2010 and 2009, respectively. 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 to face significant problems in 2010. The slowly recovering economic and credit environment challenged the soundness of many DIF-insured institutions. The ongoing weakness in housing and commercial real estate markets led to continuing asset quality problems, which hurt banking industry performance and weakened many institutions with significant portfolios of residential and commercial mortgages. Despite the challenging conditions evident in certain business lines and markets, the losses to the DIF from failures that occurred in 2010 fell short of the amount reserved at the end of 2009, as the aggregate number and size of institution failures in 2010 were less than anticipated. The removal from the reserve of banks that did fail in 2010, as well as projected favorable trends in bank supervisory downgrade and failure rates and the smaller size of institutions that remain troubled, all contribute to a decline by $26.3 billion to $17.7 billion in the contingent liability for anticipated failures of insured institutions at the end of 2010.

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 approximately $24.5 billion. The actual losses, if any, will largely depend on future economic and market conditions and could differ materially from this estimate.

During 2010, 157 banks with combined assets of $93.2 billion failed. Supervisory and market data suggest that the banking industry will continue to experience elevated levels of stress over the coming year. 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. Probable litigation losses of $300 million were recorded for both December 31, 2010 and 2009, and 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 customary representations regarding the assets and have certain obligations 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 period 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 actual and potential breaches extend out to March 19, 2019 for the Fannie Mae and Ginnie Mae reverse mortgage servicing portfolios (unpaid principal balance of $21.7 billion at December 31, 2010 and 2009), March 19, 2014 for the Fannie Mae, Freddie Mac and Ginnie Mae mortgage servicing portfolios (unpaid principal balance of $45.3 billion at December 31, 2010 compared to $62.1 billion at December 31, 2009), and March 19, 2011 for the remaining (private) mortgage servicing portfolio and whole loans (unpaid principal balance of $74.2 billion at December 31, 2010 compared to $104.4 billion at December 31, 2009).

As of December 31, 2010, the IndyMac receivership has paid $2.8 million in approved claims and has accrued an additional $2.6 million liability for claims asserted but unpaid. 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 and when 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 2010 and 2009, 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

During 2009 and 2010, the FDIC as receiver used 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 guaranteed notes (SSGNs).

LLCs

Under the LLC structure, the FDIC, as receiver, 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. The FDIC, in its corporate capacity, guarantees notes issued by the LLCs. In exchange for the guarantee, the DIF receives a guarantee fee in either a lump-sum, up-front payment based on the estimated duration of the note or a monthly payment based on a fixed percentage multiplied by the outstanding note balance. The terms of these guarantees generally stipulate that all cash flows received from the entity's collateral be used in the following order to: 1) pay operational expenses of the entity, 2) pay FDIC its contractual guarantee fee, 3) pay down the guaranteed notes (or, if applicable, fund the related defeasance account for payoff of the notes at maturity), and 4) pay 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. As mentioned above, this interest is senior to all equity interests and thus will be reimbursed, in full, prior to equity holders receiving a return on investment. Once all expenses have been paid, the guaranteed notes have been satisfied, and FDIC has been reimbursed for any guarantee payments, the equity holders receive any remaining cash flows.

Private investors purchased a 40 or 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 or 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 for the notes. The terms of the note guarantees extend until the earliest 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 by a LLC, the FDIC in its corporate capacity can take one or more of the following remedies: 1) accelerate the payment of the unpaid principal amount of the notes; 2) sell the assets held as collateral; or 3) foreclose 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 into a trust structure. The Trusts issued senior notes, subordinate notes, and owner trust certificates collateralized by the mortgage-backed securities or loans that are transferred to the Trusts.

Private investors purchased the senior notes issued by the Trusts for $4.6 billion in cash. The receiverships hold 100 percent of the subordinate notes and owner trust certificates ("OTCs"). The FDIC in its corporate capacity guarantees the timely payment of principal and interest for the senior notes. The terms of these guarantees generally stipulate that all cash flows received from the entity's collateral be used in the following order to: 1) pay operational expenses of the entity, 2) pay FDIC its contractual guarantee fee, 3) pay interest on the guaranteed notes, 4) pay down the guaranteed notes, and 5) pay the holders of the subordinate notes and owner trust 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. As mentioned above, this interest is senior to all interests of subordinate note holders and OTC holders and thus will be reimbursed, in full, prior to these holders receiving a return on any remaining investment. Once all expenses have been paid, the guaranteed notes have been satisfied, and FDIC has been reimbursed for any guarantee payments, the subordinate note holders and OTC holders receive the remaining cash flows.

All Structured Transactions

Through December 31, 2010, 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 $6.8 billion to the LLCs and Trusts which have issued notes guaranteed by the FDIC. To date, the DIF has collected guarantee fees totaling $128 million and recorded a receivable for additional guarantee fees of $170 million, included in the "Interest receivable on investments and other assets, net" line item. 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, 2010, the amount of deferred revenue recognized on the balance sheet was $249 million. The DIF records no other structured transaction related assets or liabilities on its balance sheet.

The estimated loss on the guarantees to the DIF is based on 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/Trust assets provide sufficient coverage to fully pay the debts by their maturity dates. Therefore, the estimated loss to the DIF from these guarantees is zero. To date, FDIC in its corporate capacity has not provided, and does not intend to provide, any form of financial or other support to a Trust or LLC that it was not previously contractually required to provide.

As of December 31, 2010, the maximum exposure to loss is $8.3 billion, the sum of all outstanding debt issued by LLCs and Trusts that is guaranteed by the FDIC in its corporate capacity. The $8.3 billion is comprised of $4.2 billion issued by LLCs, $3.8 billion issued by SSGNs, and $.3 billion issued by the securitization. Some transactions have established defeasance accounts to pay off the notes at maturity. A total of $756 million has been deposited into these accounts.

9. Assessments

The Dodd-Frank Act, enacted on July 21, 2010, provides for significant DIF assessment and capitalization reforms. As a result, the FDIC issued proposed regulations and adopted a new Restoration Plan. The following presents the required DIF reforms and the related FDIC actions taken to:

- define the assessment base generally as average consolidated total assets minus average tangible equity (the new assessment base).

  To amend its regulations, the FDIC issued a proposed rulemaking to 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).

- annually establish and publish a designated reserve ratio (DRR) at the statutory minimum percentage of not less than 1.35 percent of estimated insured deposits or the comparable percentage of the new assessment base. In addition, the FDIC must annually determine if a dividend should be paid, based on the statutory requirement generally to declare dividends if the DIF reserve ratio exceeds 1.50 percent of estimated insured deposits. The Board of Directors is given sole discretion to suspend or limit dividends and must prescribe relevant regulations.

  In order to implement these requirements, the FDIC proposed a comprehensive long-range plan for deposit insurance fund management with the intent of maintaining a positive fund balance and moderate, steady assessment rates. The proposed rulemaking would set the DRR at 2 percent as a long-term minimum goal and adopt a lower assessment rate schedule when the reserve ratio reaches 1.15. To increase the probability that the fund reserve ratio will reach a level sufficient to withstand a future crisis, the proposed rulemaking would suspend dividends permanently when the fund reserve ratio exceeds 1.5 percent and, in lieu of dividends, adopt lower assessment rate schedules when the reserve ratio reaches 2 percent and 2.5 percent so that average rates would decline about 25 percent and 50 percent, respectively. In December 2010, the FDIC issued a final rule related to the DRR portion of the proposed rulemaking, setting the DRR at 2 percent effective on January 1, 2011.

- return the reserve ratio to 1.35 percent of estimated insured deposits by September 30, 2020.

  To comply with this mandate, the FDIC adopted a new Restoration Plan that provides for the following: 1) the period of the Restoration Plan is extended from the end of 2016 to September 30, 2020; 2) the FDIC will maintain the current schedule of assessment rates, foregoing the uniform 3 basis point increase previously scheduled to take effect on January 1, 2011; 3) institutions may continue to use assessment credits without additional restriction during the term of the Restoration Plan; 4) the FDIC will pursue rulemaking in 2011 regarding the method that will be used to offset the effect on small institutions (less than $10 billion in assets) of the statutory requirement that the fund reserve ratio increase from 1.15 percent to 1.35 percent by September 30, 2020; and 5) at least semiannually, the FDIC will update its loss and income projections for the fund and, if needed, will increase or decrease rates, following notice-and-comment rulemaking, if required.

In addition, the FDIC issued a proposed rulemaking to revise the assessment system applicable to large insured depository institutions (IDIs) to better capture risk at the time an IDI assumes the risk, to better differentiate IDIs during periods of good economic and banking conditions based on how they would fare during periods of stress or economic downturns, and to better take into account the losses that the FDIC may incur if such an IDI fails. Specifically, proposed changes include eliminating risk categories and the use of long-term debt issuer ratings for large IDIs and combining CAMELS ratings and forward-looking financial measures into two scorecards: one for most large IDIs and another for large IDIs that are structurally and operationally complex or that pose unique challenges and risks in case of failure (highly complex IDIs).

Assessment Revenue

The assessment rate averaged approximately 17.72 cents per $100 and 23.32 cents per $100 of the assessment base, as defined in part 327.5(b) of FDIC Rules and Regulations, for 2010 and 2009, respectively. During 2010 and 2009, $13.6 billion and $17.7 billion were recognized as assessment revenue from institutions. For those institutions that did not prepay assessments as described below, the "Assessments receivable, net" line item of $218 million represents the estimated premiums due from IDIs for the fourth quarter of 2010. The actual deposit insurance assessments for the fourth quarter will be billed and collected at the end of the first quarter of 2011.

During 2009, the FDIC implemented actions to supplement DIF's revenue through a special assessment and its liquidity through prepaid assessments from IDIs:

- On May 22, 2009, the FDIC adopted a final rule imposing a 5 basis point special assessment on each IDI's total assets minus Tier 1 capital as reported in its report of condition as of June 30, 2009. The special assessment of $5.5 billion was collected on September 30, 2009.
- On November 12, 2009, the FDIC adopted a final rule to address the DIF's liquidity needs to pay for projected near-term failures and to ensure that the deposit insurance system remained industry-funded. Pursuant to the final rule, on December 30, 2009, a majority of IDIs prepaid estimated quarterly risk-based

assessments of $45.7 billion for the period October 2009 through December 2012. An institution's quarterly risk-based deposit insurance assessment thereafter is offset by the amount prepaid until that amount is exhausted or until June 30, 2013, when any amount remaining would be returned to the institution. At December 31, 2010, the remaining prepaid amount of $30.1 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, 2010, the DIF reserve ratio was -0.12 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 2010 and 2009, approximately $796 million and $784 million, respectively, was collected and remitted to the FICO.

10. Other Revenue

Other Revenue for the Years Ended December 31

Dollars in Thousands

	2010	2009
Guarantee termination fees	$0	$2,053,825
Dividends and interest on Citigroup trust preferred securities	177,675	231,227
Guarantee fees for structured transactions	44,557	3,465
Debt guarantee surcharges	0	871,746
Other	15,193	13,348
Total	**$237,425**	**$3,173,611**

Guarantee Termination Fees and Dividends and Interest on TruPs

Bank of America

In January 2009, the FDIC, the Treasury, and the Federal Reserve Bank of New York (federal parties) signed a Summary of Terms (Term Sheet) with Bank of America to guarantee or lend against a pool of up to $118.0 billion of financial instruments owned by Bank of America. In May 2009, prior to completing definitive documentation, Bank of America announced its intention to terminate negotiations with respect to the loss-share guarantee arrangement contemplated in the Term Sheet. Bank of America paid a termination fee of $425 million to compensate the federal parties for the guarantee from the date of the signing of the Term Sheet through the termination date. Of this amount, the FDIC received and recognized revenue of $92 million for the DIF in 2009. No losses were borne by the FDIC prior to the termination.

Citigroup

In connection with the termination of a loss-share agreement with Citigroup on December 23, 2009 (see Note 5), the DIF recognized revenue of $1.962 billion for the fair value of the trust preferred securities received as consideration for the guarantee. The DIF recognized $178 million and $231 million of dividends and interest on the securities for 2010 and 2009, respectively.

Guarantee Fees for Structured Transactions

The FDIC in its corporate capacity participated in structured transactions as guarantor of the principal and interest due on certain notes issued by related limited liability companies and Trusts (see Note 8). The transactions were formed to maximize recoveries on assets purchased by these entities from receiverships. In exchange for the guarantees, the DIF receives guarantee fees that are recognized as revenue over the term of each guarantee on a straight line basis. The DIF recognized revenue in the amount of $45 million and $3 million during 2010 and 2009, respectively.

Surcharges on FDIC-Guaranteed Debt

The DIF collected a surcharge on all debt issued under the Temporary Liquidity Guarantee Program (TLGP) after March 31, 2009 in an effort to provide an incentive for all participants to return to the non-guaranteed debt market. Unlike other TLGP fees (see Note 16), which are reserved for projected TLGP losses, the surcharges collected were deposited into the DIF. During 2009, the DIF collected surcharges in the amount of $872 million. No surcharges were collected in 2010.

11. Operating Expenses

Operating expenses were $1.6 billion for 2010, compared to $1.3 billion for 2009. The chart below lists the major components of operating expenses.

Operating Expenses for the Years Ended December 31

Dollars in Thousands

	2010	2009
Salaries and benefits	$1,184,523	$901,836
Outside services	360,880	244,479
Travel	111,110	97,744
Buildings and leased space	85,137	65,286
Software/Hardware maintenance	50,575	40,678
Depreciation of property and equipment	68,790	70,488
Other	35,384	37,563
Services reimbursed by TLGP	(242)	(3,613)
Services billed to resolution entities	(303,516)	(183,362)
Total	**$1,592,641**	**$1,271,099**

12. Provision for Insurance Losses

Provision for insurance losses was a negative $848 million for 2010, compared to a positive $57.7 billion for 2009. The 2010 negative provision is primarily due to lower-than-anticipated loss estimates at time of failure for banks that have failed and leveling off of estimated losses to the DIF from banks expected to fail. 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		
	2010	2009
Valuation Adjustments		
Closed banks and thrifts	$25,483,252	$37,586,603
Other assets	(4,406)	(7,885)
Total Valuation Adjustments	**25,478,846**	**37,578,718**
Contingent Liabilities Adjustments		
Anticipated failure of insured institutions	(26,326,689)	20,033,054
Litigation	0	100,000
Total Contingent Liabilities Adjustments	**(26,326,689)**	**20,133,054**
Total	**$(847,843)**	**$57,711,772**

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 five 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, however, they do not receive agency matching contributions.

Pension Benefits and Savings Plans Expenses for the Years Ended December 31		
Dollars in Thousands		
	2010	2009
Civil Service Retirement System	$6,387	$6,401
Federal Employees Retirement System (Basic Benefit)	78,666	56,451
FDIC Savings Plan	30,825	25,449
Federal Thrift Savings Plan	28,679	20,503
Total	**$144,557**	**$108,804**

Postretirement Benefits Other Than Pensions

The DIF has no postretirement health insurance liability since all eligible retirees are covered by the Federal Employees Health Benefit (FEHB) program. 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 (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, 2010 and 2009, the liability was $166 million and $145 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 $19 million and $3 million at December 31, 2010 and 2009, 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 2010 and 2009 were $9 million and $8 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 2010 and 2009 of $16 million and $28 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 5.0 percent, the rate of compensation increase of 4.1 percent, and the dental coverage trend rate of 7.0 percent. The discount rate of 5.0 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 $204 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 $45 million and $29 million for the years ended December 31, 2010 and 2009, respectively.

Leased Space Commitments

Dollars in Thousands

2011	2012	2013
$54,086	$48,047	$37,005

2014	2015	2016/Thereafter
$28,035	$19,731	$17,229

Off-Balance-Sheet Exposure:

Deposit Insurance

As of December 31, 2010, the estimated insured deposits for DIF were $6.2 trillion. This estimate is derived primarily from quarterly financial data submitted by insured depository institutions to the FDIC. This estimate represents the accounting loss that would be realized if all insured depository institutions were to fail and the acquired assets provided no recoveries. The amount of $6.2 trillion includes noninterest-bearing transaction accounts that 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, 2010 and 2009.

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 and cash equivalents (Special U.S. Treasuries)[1]	$27,076,606			$27,076,606
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	**$39,447,874**	**$3,124,000**	**$0**	**$42,571,874**

(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 loss-share guarantee coverage provided to Citigroup as described in Note 5, the FDIC and the Treasury received TruPs. At December 31, 2010, the fair value of the securities in the amount of $3.124 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, 2009				
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 and cash equivalents (Special U.S. Treasuries)[1]	$54,092,423			$54,092,423
Available for Sale Debt Securities				
Investment in U.S. Treasury Obligations[2]	5,486,799			5,486,799
Trust preferred securities			$1,961,824	1,961,824
Trust preferred securities held for UST (Note 16)			705,375	705,375
Total Assets	**$59,579,222**	**$0**	**$2,667,199**	**$62,246,421**

(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.

At December 31, 2009 the fair value of the TruPs in the amount of $2.667 billion was classified as a Level 3 measurement and was derived from a proprietary valuation model developed by the Treasury to estimate the value of financial instruments obtained as consideration for actions taken to stabilize the financial system under the Troubled Asset Relief Program. The change in fair value classification from Level 3 to Level 2 between 2009 and 2010 was due to a greater reliance on observable inputs. The table below reconciles the beginning and ending Level 3 balances for 2010.

Fair Value Measurements Using Unobservable Inputs (Level 3) - Trust Preferred Securities at December 31		
Dollars in Thousands		
	2010	2009
Beginning balance	$2,667,199	$0
Total gains or losses	0	0
Transfers in and/or out of Level 3	(2,667,199)	2,667,199
Total	**$0**	**$2,667,199**

(a) The Corporation's policy is to recognize Level 3 transfers as of the beginning of the reporting period.

(b) The transfer from Level 3 to Level 2 was due to adoption of observable market data for these securities.

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, assessment receivables, 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 systemic risk determinations, the FDIC established the Temporary Liquidity Guarantee Program (TLGP) for insured depository institutions, designated affiliates and certain holding companies during 2008, and provided loss-share guarantee assistance to Citigroup on a pool of covered assets in 2009, which was subsequently terminated as described in Note 5. The FDIC received consideration in exchange for guarantees issued under the TLGP and guarantee assistance provided to Citigroup.

At inception of the guarantees, the DIF recognized a liability for the non-contingent fair value of the obligation the FDIC has undertaken to stand ready to perform over the term of the guarantees. As required by 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 (including contingent liabilities and valuation allowances), the DIF will reduce deferred revenue and recognize an offsetting amount as systemic risk revenue. Revenue recognition will also occur during the term of the guarantee if a supportable and documented analysis has determined that the consideration and any related interest/dividend income received exceeds the projected systemic risk losses. Any deferred revenue not absorbed by losses during the guarantee period will be recognized as revenue to the DIF.

Temporary Liquidity Guarantee Program

The FDIC established the TLGP on October 14, 2008 in an effort to counter the system-wide crisis in the nation's financial sector. The TLGP consists of two components: 1) the Debt Guarantee Program (DGP), and 2) the Transaction Account Guarantee Program (TAG). The program is codified in part 370 of title 12 of the Code of Federal Regulations (12 CFR Part 370).

Debt Guarantee Program

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.

All fees for participation in the DGP are reserved for possible TLGP losses. 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, as described in Note 5, the FDIC holds $800 million (liquidation amount) of Citigroup TruPs (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. At December 31, 2010, the fair value of these securities totaled $826 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 "Deferred Revenue- Systemic Risk", 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 to 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 billion in total guaranteed debt has been issued. Through December 31, 2010, the FDIC has paid $8 million in claims for principal and interest arising from guaranteed debt default by three debt issuers. Sixty-six financial entities (39 insured depository institutions and 27 affiliates and holding companies) had $267.1 billion in guaranteed debt outstanding at year end. This reported outstanding debt at year end is derived from data submitted by debtholders. At December 31, 2010, the contingent liability for this guarantee of $149 million is included in the "Contingent liability for systemic risk" line item. The FDIC believes that it is reasonably possible that additional estimated losses of approximately $545 million could occur under the DGP. Given the magnitude of outstanding debt and the uncertainty surrounding future possible losses, the FDIC believes it is appropriate to continue its current practice of deferring income recognition for the remaining $9.1 billion of "Deferred Revenue-Systemic Risk."

Transaction Account Guarantee Program

The Transaction Account Guarantee Program, implemented under the TLGP, provided unlimited coverage through December 31, 2010 for non-interest bearing transaction accounts held by insured depository institutions on all deposit amounts exceeding the fully insured limit of $250,000. During 2010 and 2009, the FDIC collected TAG fees of $481 million and $639 million, respectively, which are earmarked for TLGP possible losses and payments. At December 31, 2010, the "Receivables and other assets – systemic risk" line item includes $50 million of estimated TAG fees due from insured depository institutions on March 31, 2011.

Upon the failure of a participating insured depository institution, payment of guaranteed claims of depositors with non-interest bearing transaction accounts were funded with TLGP restricted cash. The FDIC is subrogated to these claims of depositors against the failed entity, and dividend payments by the receivership are deposited back into TLGP restricted accounts.

Since inception of the TAG, covered claims were estimated to be $8.8 billion with estimated losses of $2.3 billion as of December 31, 2010.

Systemic Risk Activity at December 31, 2010					
Dollars in Thousands					
	Cash and investments - restricted - systemic risk (1)	Receivables and other assets - systemic risk	Deferred revenue - systemic risk	Contingent liability - systemic risk	Revenue/Expenses - systemic risk
Balance at 01-01-10	$6,430,589	$3,298,819	$(7,847,447)	$(1,411,966)	
TAG fees collected	480,781	(187,541)	(293,240)		
DGP assessments collected	3		(3)		
Receivable for TAG fees		50,235	(50,235)		
Receivable for TAG accounts at failed institutions		(493,128)			
Dividends and overnight interest on TruPs held for UST		63,856	(63,856)		
Market value adjustment on TruPs held for UST		120,807	(120,807)		
Estimated losses for TAG accounts at failed institutions		(583,626)	583,626		$583,626
Provision for TLGP losses in future failures			(1,262,639)	1,262,639	(1,262,639)
Guaranteed debt obligations paid	(7,970)		7,970		5,953
U.S. investment interest collected	12,063		(12,063)		
Interest receivable on U.S. Treasury obligations	720		(720)		
Amortization of U.S. Treasury obligations	2,191		(2,191)		
Accrued interest purchased	(6,822)		6,822		
Unrealized gain on U.S. Treasury obligations	247		(247)		
TLGP operating expenses			489		242
Reimbursement to DIF for TAG claims and TLGP operating expenses incurred	(264,834)				
Totals	**$6,646,968**	**$2,269,422**	**$(9,054,541)**	**$(149,327)**	**$(672,818)**

(1) As of December 31, 2010, the fair value of investments in U.S. Treasury obligations held by TLGP was $1.6 billion. An unrealized gain of $247 thousand is reported in the "Deferred revenue - systemic risk" line item.

17. Subsequent Events

Subsequent events have been evaluated through March 14, 2011, the date the financial statements are available to be issued.

2011 Failures through March 14, 2011

Through March 14, 2011, 25 insured institutions failed in 2011 with total losses to the DIF estimated to be $1.8 billion.

Assessments

On February 7, 2011, the FDIC adopted a Final Rule, *Assessments, Large Bank Pricing*, which becomes effective on April 1, 2011. The Rule amends 12 CFR 327 to implement revisions to the FDI Act made by the Dodd-Frank Act to: 1) redefine the assessment base used for calculating deposit insurance assessments; 2) change the assessment rate adjustments; 3) lower the initial base rate schedule and the total base rate schedule for all insured depository institutions to collect approximately the same revenue for the DIF under the new assessment base as would have been collected under the former assessment base; 4) provide progressively lower assessment rate schedules when the reserve ratio of the DIF reaches certain enumerated levels and suspend dividends indefinitely; and 5) change the risk-based assessment system for large insured depository institutions (generally, those institutions with at least $10 billion in total assets).

During the last quarter of 2010, FDIC issued three Notices of Proposed Rulings (NPRs) in order to propose revisions to the FDI Act, as amended (see Note 9). This Final Rule encompasses all of the proposals contained in the NPRs, except the proposal setting the Designated Reserve Ratio (DRR), which was covered in the DRR Final Rule issued in December 2010.

FSLIC Resolution Fund

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Balance Sheet at December 31		
Dollars in Thousands		
	2010	2009
Assets		
Cash and cash equivalents	$3,547,907	$3,470,125
Receivables from thrift resolutions and other assets, net (Note 3)	23,408	32,338
Receivables from U.S. Treasury for goodwill litigation (Note 4)	323,495	405,412
Total Assets	**$3,894,810**	**$3,907,875**
Liabilities		
Accounts payable and other liabilities	$2,990	$2,972
Contingent liabilities for goodwill litigation (Note 4)	323,495	405,412
Total Liabilities	**326,485**	**408,384**
Resolution Equity (Note 5)		
Contributed capital	127,792,696	127,847,696
Accumulated deficit	(124,224,371)	(124,348,205)
Total Resolution Equity	**3,568,325**	**3,499,491**
Total Liabilities and Resolution Equity	**$3,894,810**	**$3,907,875**

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

FSLIC Resolution Fund

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Income and Accumulated Deficit for the Years Ended December 31		
Dollars in Thousands		
	2010	2009
Revenue		
Interest on U.S. Treasury obligations	$3,876	$3,167
Other revenue	9,393	5,276
Total Revenue	**13,269**	**8,443**
Expenses and Losses		
Operating expenses	3,832	4,905
Provision for losses	(945)	2,051
Goodwill litigation expenses (Note 4)	(53,266)	408,997
Recovery of tax benefits	(63,256)	(10,279)
Other expenses	3,070	2,908
Total Expenses and Losses	**(110,565)**	**408,582**
Net Income (Loss)	**123,834**	**(400,139)**
Accumulated Deficit - Beginning	**(124,348,205)**	**(123,948,066)**
Accumulated Deficit - Ending	**$(124,224,371)**	**$(124,348,205)**

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

FSLIC Resolution Fund

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Cash Flows for the Years Ended December 31		
Dollars in Thousands		
	2010	2009
Operating Activities		
Net Income (Loss)	**$123,834**	**$(400,139)**
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Provision for losses	(945)	2,051
Change in Operating Assets and Liabilities:		
Decrease in receivables from thrift resolutions and other assets	9,875	563
Increase (Decrease) in accounts payable and other liabilities	18	(5,094)
(Decrease) Increase in contingent liabilities for goodwill litigation	(81,917)	263,107
Net Cash Provided (Used) by Operating Activities	**50,865**	**(139,512)**
Financing Activities		
Provided by:		
U.S. Treasury payments for goodwill litigation (Note 4)	26,917	142,410
Net Cash Provided by Financing Activities	**26,917**	**142,410**
Net Increase in Cash and Cash Equivalents	**77,782**	**2,898**
Cash and Cash Equivalents - Beginning	**3,470,125**	**3,467,227**
Cash and Cash Equivalents - Ending	**$3,547,907**	**$3,470,125**

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

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, as amended, the FDIC insures the deposits of banks and savings associations, and in cooperation with other federal and state agencies promotes the safety and soundness of insured depository institutions by identifying, monitoring and addressing risks to the deposit insurance fund established in the FDI Act, as amended. In addition, FDIC is charged with responsibility 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 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 FSLIC Resolution Fund (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.

The FDIC is the administrator of the FRF and the Deposit Insurance Fund. These funds are maintained separately to carry out their respective mandates.

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 3 to 13 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 one to 10 years remaining to enforce, unless the judgments are renewed, which will result in significantly longer periods for collection for some judgments); 3) numerous assistance agreements entered into by the former FSLIC (FRF could continue to receive tax benefits sharing through the year 2012); 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 $52 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 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 valuation of the receivables from thrift resolutions and other assets.

Disclosure about Recent Relevant Accounting Pronouncements

- ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements*, requires enhanced disclosures for significant transfers into and out of Level 1 (measured using quoted prices in active markets) and Level 2 (measured using other observable inputs) of the fair value measurement hierarchy. These disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, but did not impact the FRF in 2010. Separate disclosure of the gross purchases, sales, issuances, and settlements activity for Level 3 (measured using unobservable inputs) fair value measurements will become effective for fiscal years beginning after December 15, 2010. Currently, the additional disclosures are not expected to impact the FRF.

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

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.

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, 2010, eight of the 850 FRF receiverships remain active. Half of these receiverships are expected to complete their liquidation efforts during 2011. The remaining four receiverships will remain active until their goodwill litigation or liability-related impediments are resolved.

The FRF receiverships held assets with a book value of $18 million and $20 million as of December 31, 2010 and 2009, respectively (which primarily consist of cash, investments, and miscellaneous receivables). At December 31, 2010, $13 million of the $18 million in assets in the FRF receiverships was cash held for non-FRF, third party creditors.

Other Assets

Other assets primarily include credit enhancement reserves valued at $17 million and $21 million as of December 31, 2010 and 2009, 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.

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

Dollars in Thousands

	2010	2009
Receivables from closed thrifts	$5,763,949	$5,744,509
Allowance for losses	(5,762,186)	(5,736,737)
Receivables from Thrift Resolutions, Net	**1,763**	**7,772**
Other assets	21,645	24,566
Total	**$23,408**	**$32,338**

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. Six remaining cases are pending against the United States based on alleged breaches of these agreements.

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, 2010, the FRF paid $27 million as a result of judgments and settlements in four goodwill cases compared to $142 million for four goodwill cases for the year ended December 31, 2009. Of the four goodwill cases paid during 2010, only one was active at December 31, 2009 due to ongoing litigation. The FRF received appropriations from the U.S. Treasury to fund these payments.

The contingent liability and offsetting receivable from the U.S. Treasury as of December 31, 2010 was $323 million for one case compared with $405 million for six cases as of December 31, 2009. No new cases were accrued during 2010. The one case comprising the contingent liability and offsetting receivable at December 31, 2010 was accrued prior to 2010 following an appellate decision for a specific monetary amount. This case is currently before the lower court pending on remand following appeal and is still considered active.

Based on representations from the DOJ, the entity that defends these lawsuits against the United States, the FDIC is unable to estimate a range of loss to the FRF-FSLIC for the remaining five goodwill cases considered active as of December 31, 2010. Three of these cases were not accrued because court decisions are still pending. In the other two cases the appellate courts decided to award nothing, but the cases are still active due to continued legal proceedings.

Six goodwill cases were active as of December 31, 2010 compared with eight active cases as of December 31, 2009. Of the cases considered active at year end 2009, one was fully adjudicated with no award and one was settled and paid during 2010.

In addition, the FRF-FSLIC pays the goodwill litigation expenses incurred by the DOJ based on a Memorandum of Understanding (MOU) dated October 2, 1998, between the FDIC and the DOJ. Under the terms of the MOU, the FRF-FSLIC paid $2 million and $4 million to the DOJ for fiscal years (FY) 2011 and 2010, respectively. As in prior years, the DOJ carried over and applied all unused funds toward current FY charges. At December 31, 2010, the DOJ had an additional $3 million in unused FY 2010 funds that were applied against FY 2011 charges of $5 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 2011, after the Internal Revenue Service (IRS) completes its Large Case Program audit on the affected Corporation's 2006 returns; this audit is currently underway. The FRF is not expected to fund any payment under this guarantee and no liability has been recorded.

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, 2010 and 2009, 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, 2010

Dollars in Thousands

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital – beginning	$46,098,359	$81,749,337	$127,847,696
Contributed capital – ending	**46,043,359**	**81,749,337**	**127,792,696**
Accumulated deficit	(42,643,726)	(81,580,645)	(124,224,371)
Total	**$3,399,633**	**$168,692**	**$3,568,325**

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, 2010, 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 $27 million in U.S. Treasury payments for goodwill litigation in 2010. Furthermore, $323 million and $405 million were accrued for as receivables at December 31, 2010 and 2009, respectively.

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 $12.8 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, 2010 and 2009.

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 and cash equivalents (Special U.S. Treasuries)[1]	$3,547,907			$3,547,907
Credit enhancement reserves[2]		$17,378		17,378
Total Assets	**$3,547,907**	**$17,378**		**$3,565,285**

(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) 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, 2009

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 (Special U.S. Treasuries)[1]	$3,470,125			$3,470,125
Credit enhancements reserves[2]		$21,278		21,278
Total Assets	**$3,470,125**	**$21,278**		**$3,491,403**

(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) 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.

GAO
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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, 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 2010 and 2009, we found

- the financial statements as of and for the years ended December 31, 2010, and 2009, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- FDIC's internal control over financial reporting was effective as of December 31, 2010; 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 and our evaluation.

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, 2010, and 2009, 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, FDIC-insured financial institutions continued to face significant challenges in 2010. The slowly recovering economy and credit environment continued to challenge the soundness of many DIF-insured institutions. In 2010, 157 banks with combined assets of approximately $93 billion failed, costing the DIF an

[1]A third fund to be 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 conducted no transactions during the fiscal years covered by this audit.

estimated $24 billion—this cost was generally recognized in the DIF's 2009 financial statements. Regulatory and market data suggest that the banking industry will continue to experience elevated levels of stress over the coming year. In addition to the losses reflected on the DIF's financial statements, FDIC has identified additional risk as of year-end 2010 that could result in further estimated losses to the DIF of up to approximately $25 billion should other potentially vulnerable insured institutions ultimately fail. FDIC continues to evaluate the ongoing risks to affected institutions in light of current economic and financial conditions, and the effect of such risks on the DIF. Actual losses, if any, will largely depend on future economic and market conditions and could differ materially from FDIC's estimates. As discussed in note 17 to the DIF's financial statements, through March 14, 2011, 25 institutions failed during 2011.

As of 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. In contrast, at December 31, 2009, the DIF had a negative fund balance of $20.9 billion and its ratio of reserves to estimated insured deposits was a negative 0.39 percent. The improvement in 2010 was primarily attributable to lower losses from 2010 bank failures than projected at December 31, 2009, and lower estimates of losses from anticipated failures at December 31, 2010. During 2010, FDIC continued its efforts to maintain the DIF's ability to resolve problem institutions. As discussed in notes 4 and 7 of DIF's financial statements, FDIC continued the use of purchase and assumption resolution transactions containing loss-share agreements with acquirers of failed institutions as a means of both conserving the initial cash outlay required by the DIF in resolving a troubled institution and as a longer-term means of attempting to further minimize the ultimate losses to the DIF. Under such agreements, which typically cover a 5- to 10- year period, an acquiring institution assumes all of the deposits and purchases most, if not all, of the assets of a failed institution. FDIC, in turn, agrees to cover a large percentage of any losses on assets covered under the agreements up to a stated threshold. During 2010, 130 of the 157 institutions that failed and were resolved by FDIC were handled through the use of loss-share agreements with acquirers of these institutions.

The DIF has a variety of resources available to carry out its insurance responsibilities. At December 31, 2010, the DIF had $12.4 billion in investments in U.S. Treasury obligations in addition to $27 billion in cash and cash equivalents, which provide a ready source of funds for its insurance activities. These funds were primarily obtained through FDIC's charging the industry approximately 3 years of advanced assessments at the end of 2009. In addition, as discussed in note 1 to DIF's financial statements, FDIC can borrow up to $100 billion from the U.S. Treasury and it also has a note agreement with the Federal Financing Bank enabling it to borrow up to $100 billion. However, the total amount that FDIC can borrow from these sources for the DIF would be subject to the DIF's statutory maximum obligation limitation, which equaled $106.3 billion as of December 31, 2010.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)[2] contains significant provisions related to assessments and capitalization of the DIF. One of these provisions requires FDIC to define the assessment base as average consolidated total assets minus average tangible equity. This contrasts with the previous assessment base consisting of domestic deposits. This change will broaden the assessment base and is intended to better measure the risk that a bank poses to the DIF. The act also sets the statutory minimum designated reserve ratio of not less than 1.35 percent of estimated insured deposits, or the comparable percentage of the new assessment base, and requires that FDIC take such steps as may be necessary to achieve this reserve ratio by September 30, 2020. This change, intended to strengthen the DIF, increases the minimum designated reserve ratio from 1.15 percent, but as noted above, extends the target date for the DIF to achieve this minimum designated reserve ratio from December 31, 2016. FDIC adopted a new restoration plan on October 19, 2010 in response to the above requirements. 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 noninterest-bearing transaction accounts for 2 years to 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 continues to face some exposure as a result of actions taken pursuant to the systemic risk determination made in 2008 by the Department of the Treasury, in consultation with the President and upon recommendation of the Boards of FDIC and the Federal Reserve. As discussed in note 16 to the DIF's financial statements, FDIC established the Temporary Liquidity Guarantee Program (TLGP). The TLGP consists of the

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

(1) Debt Guarantee Program, under which FDIC guaranteed newly issued senior unsecured debt up to prescribed limits issued by insured institutions and certain holding companies, and (2) Transaction Account Guarantee Program (TAGP), under which, through December 31, 2010, FDIC provided unlimited coverage for noninterest-bearing transaction accounts held by participating insured institutions. FDIC charged fees to participants that are to be used to cover any losses under both guarantee programs. The unlimited deposit insurance coverage for noninterest-bearing transaction accounts under the Dodd-Frank Act essentially replaces the TAGP, except that FDIC will not charge a separate assessment fee for insuring the transaction accounts. As discussed in note 16, as of December 31, 2010, the amount of debt guaranteed by FDIC under the Debt Guarantee Program was $267 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, FRF's assets, liabilities, and resolution equity as of December 31, 2010, and 2009, and its income and accumulated deficit and its cash flows for the years then ended.

Opinion on Internal Control

FDIC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, which provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the 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).

Resolution of Prior Year Material Weakness

In our 2009 audit report[3] we reported a material weakness[4] in FDIC's controls over its process for deriving and reporting estimates of losses to the DIF from resolution transactions involving loss-share agreements[5] because existing controls were not fully effective in preventing or detecting and correcting errors in developing and reporting loss-share loss amounts in FDIC's draft 2009 financial statements of the DIF. As described in our audit report, we identified weaknesses in FDIC's controls over (1) the development of initial loss-share loss estimates, including verifying the accuracy of the calculations; (2) managerial review and oversight of the initial loss-share estimation process and its underlying assumptions; and (3) reporting of the loss-share loss estimates as part of the allowance for losses against the *Receivables from resolutions, net* on the DIF's balance sheet. We subsequently provided further details of the control deficiencies related to this material weakness as well as recommendations for corrective actions in a separate report to FDIC management.[6] To correct these control deficiencies, we recommended that FDIC officials (1) establish mechanisms for monitoring implementation of newly issued policies and procedures over the process for calculating initial loss-share loss estimates; (2) develop specific procedures for documenting assumptions underlying initial loss-share loss estimates, including periodic managerial review and approval of assumptions and changes over time; and (3) establish and document detailed procedures for ensuring the completeness and accuracy of the overall allowance for loss calculations, including loss-share related losses.

[3]GAO, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2009 and 2008 Financial Statements*, GAO-10-705 (Washington, D.C.: June 25, 2010).

[4]A material weakness is a deficiency, or a combination of deficiencies, in internal control 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.

[5]In 2009, and continuing in 2010, FDIC increasingly used whole bank purchase and assumption transactions with accompanying loss-share agreements as the primary means of resolving failed financial institutions. Under such an agreement, FDIC sells a failed institution to an acquirer with an agreement that FDIC, through the DIF, will share in losses the acquirer experiences in servicing and disposing of assets purchased and covered under the loss-share agreement.

[6]GAO, *Management Report: Opportunities for Improvements in FDIC's Internal Controls and Accounting Procedures*, GAO-11-23R (Washington, D.C.: Nov. 30, 2010).

In response to the material weakness in internal control, FDIC developed and implemented a corrective action plan that included additional controls to address the control deficiencies we identified. Specifically, FDIC

- implemented a new review process and documentation procedures over the development of initial loss-share loss amounts;

- established additional monitoring and review of loss-share estimates with the creation of the Closed Bank Financial Risk Committee dedicated to oversight of the loss-share agreement process, including approval of underlying assumptions in loss-share related calculations and ongoing periodic reviews of initial and updated loss-share loss estimates; and

- enhanced controls over both the inclusion of loss-share related losses in the allowance for loss determination and the overall process for calculating the allowance for loss related to the *Receivables from resolutions, net* line item on the DIF's balance sheet.

During our audit, we found that FDIC's actions significantly reduced the risk that a material misstatement would not be detected and timely corrected, and concluded that remaining control deficiencies in FDIC's process of deriving and reporting estimates of losses involving loss-share agreements do not individually or collectively constitute a material weakness or significant deficiency.[7]

Although FDIC made significant improvements to its controls over its process for estimating losses related to loss-share agreements, it continues to face risk because of ongoing financial institution failures and the highly manual process FDIC employs in its loss-share estimation process. Although improved, FDIC's current loss-share estimation process is complex, is not fully documented, and involves multiple manual data entries. As a result, the process relies heavily on effective reviews and oversight for ensuring data accuracy. The determination of the overall allowance for losses associated with receivables from resolution activity equally depends upon a highly complex series of integrated spreadsheets that draw information from multiple, often manually input, data sources,

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

and thus also relies heavily on effective supervisory review and oversight for ensuring data accuracy. Because of the nature of this process, FDIC will need to continue to provide effective review and oversight controls to accurately report estimated loss-share losses and the overall allowance for loss related to resolution activity on the DIF's financial statements.

Resolution of Prior Year Significant Deficiency

In our 2009 audit report, we reported a significant deficiency concerning the effectiveness of FDIC's security over its information systems, which reduced FDIC's ability to ensure that authorized users had only the access needed to perform their assigned duties, and that its systems were sufficiently protected from unauthorized access. The audit report highlighted the control issues that constituted the significant deficiency. Specifically, FDIC did not (1) adequately control access to its computer systems; (2) enforce its policies and procedures governing the assignment, use, and monitoring of mainframe user identifications (IDs); (3) appropriately configure certain key systems, potentially allowing the systems to be manipulated by internal users without detection; (4) have policies and procedures in place to prevent users from having inappropriate or incompatible access to multiple applications; and (5) effectively test and verify that all system interfaces were properly configured for major changes to some important accounting and system administrative applications. Subsequently, we provided more details on these issues and reported additional underlying control weaknesses, along with recommendations for corrective actions, to FDIC management.[8]

During 2010, FDIC made substantial progress in correcting many of the underlying control issues that constituted the significant deficiency. Specifically, FDIC did the following:

- Corrected weaknesses in controls over access to computer systems and a business application that had not effectively limited individuals' access to only those functions and data necessary to perform their assigned duties. For example, FDIC strengthened network configurations such that users are now prevented from obtaining unauthorized access to network controls and control information. Additionally, FDIC addressed weaknesses that had resulted in granting

[8]GAO, *Information Security: Federal Deposit Insurance Corporation Needs to Mitigate Control Weaknesses*, GAO-11-29 (Washington, D.C.: Nov. 30, 2010).

users inappropriate and excessive access privileges to a business application supporting resolution and receivership activities.

- Corrected weaknesses in enforcing revised policies and procedures governing the assignment, use, and monitoring of mainframe user IDs intended to support technical assistance to business processes. FDIC also greatly reduced the incidence of the use of access privileges that provide a limited number of system administrators full access to all data and programs on the mainframe.

- Corrected the configuration of certain key systems, significantly reducing the potential for the misuse of powerful mainframe programs.

- Made progress in resolving deficiencies in controls designed to prevent users from having inappropriate or incompatible access to multiple applications.

- Corrected deficiencies in the interfaces of two applications that increased the risk of errors in data as it is transferred from one system to another.

As a result of the improvements we noted in FDIC's information system controls, we concluded that the remaining unresolved prior year issues and new issues identified in our 2010 audit do not individually or collectively constitute a material weakness or significant deficiency. In order to sustain the progress FDIC has made in improving its information system controls, it will be important for FDIC to continue to place a high level of emphasis on this area, especially with respect to continuous and periodic monitoring activities.

During our 2010 audit, we identified other deficiencies in FDIC's system of internal control that we do not consider to be material weaknesses or significant deficiencies but merit FDIC management's attention and correction. We have communicated these matters to FDIC management and as appropriate, will be reporting them in writing to FDIC separately, along with recommendations for corrective actions.

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.

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, 2010, 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, 2010. 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;

- 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 affected 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 due to 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, 2010. 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 audit in accordance with U.S. generally accepted government auditing standards. We believe our audit provides a reasonable basis for our opinions and other conclusions.

FDIC Comments and Our Evaluation

In commenting on a draft of this report, FDIC's Chief Financial Officer (CFO) noted that he was pleased that FDIC had received unqualified opinions on the DIF's and FRF's 2010 and 2009 financial statements. He noted that over the past year, FDIC had worked diligently to resolve the material weakness and significant deficiency that we had reported in our 2009 audit. In particular, he cited significant steps taken to strengthen controls over the loss-share estimation process and over information systems security. The CFO stated that FDIC would continue to make improvements in these areas in the coming year, and stressed that FDIC's dedication to sound financial management remains a top priority.

The complete text of FDIC's comments and its Management Report containing its assertion on the effectiveness of its internal control over financial reporting are reprinted in appendix I.

Steven J. Sebastian
Director
Financial Management and Assurance

March 14, 2011

MANAGEMENT'S RESPONSE

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

March 14, 2011

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 2010 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' 2010 and 2009 Financial Statements, GAO-11-412**. We are pleased that the Federal Deposit Insurance Corporation (FDIC) received an unqualified opinion for the nineteenth 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.

During the audit year, the FDIC management and staff worked diligently to resolve the material weakness and significant deficiency internal control issues that were reported in the 2009 audit. We took significant steps to strengthen controls over the loss share estimation process and the information systems security and will continue to make improvements in these areas in the coming audit year. Our dedication to sound financial management remains 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 2011 audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Steven O. App

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

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, 2010, through its enterprise 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, 2010, FDIC's internal control over financial reporting is effective based upon the criteria established in FMFIA.

Federal Deposit Insurance Corporation
March 14, 2011

Overview of the Industry

The 7,657 FDIC-insured commercial banks and savings institutions that filed financial reports as of December 31 reported $87.5 billion in net income for the full year 2010. This represented a considerable improvement over the $10.6 billion aggregate net loss posted in 2009.[1] But it is well below the record annual earnings of $145.2 billion registered in 2006. The average return on assets (ROA) was 0.66 percent, up compared to a negative 0.08 percent in 2009. The year-over-year improvement in earnings was broad-based. More than two out of every three institutions (67.5 percent) reported higher net income in 2010 compared to a year earlier. More than one in five institutions (21 percent) reported a net loss for the year, but this was a significantly smaller percentage than in 2009, when 30.8 percent were unprofitable.

Lower expenses for asset-quality problems and reduced charges for goodwill impairment were the principal sources of the improvement in industry net income. Provisions for loan and lease losses totaled $156.9 billion, which was $92.6 billion (37.1 percent) less than insured institutions set aside in 2009. Slightly more than half of all institutions (51 percent) reported reduced loss provisions in 2010. Charges for goodwill impairment totaled $1.7 billion in 2010, a decline of $28.7 billion compared to 2009. Additional support for the improvement in industry net income was limited by a $32.2 billion increase in income taxes.

Year-over-year comparisons of revenues are complicated by the application of new accounting rules to financial reporting in 2010.[2] Implementation of the new rules led to the consolidation of a significant amount of securitized assets (primarily credit card balances) back onto the originating banks' balance sheets in 2010. Along with the resulting increase in reported loan balances, there was also an impact from the cash flows associated with these balances. At institutions affected by the reporting changes, reported levels of interest income and expense, net interest income, and net charge-offs were elevated, while noninterest income items such as income from securitization activities, servicing fees, and trading revenues were reduced. The effects were evident in industry totals. Net interest income was $34.4 billion (8.7 percent) higher than in 2009, while noninterest income was $23.6 billion (9.1 percent) lower. The change in reporting rules had little or no effect on net revenues. Net operating revenue (the sum of net interest income and total noninterest income) was only $10.8 billion (1.6 percent) higher than in 2009.

The average net interest margin (NIM) improved to 3.76 percent from 3.47 percent in 2009, as average funding costs fell more rapidly than average asset yields. This is the highest annual NIM since 2002, when it reached 3.96 percent. A majority of institutions (57.1 percent) reported higher NIMs in 2010, with the largest increases occurring at institutions that had securitized credit card receivables and were affected by the new accounting rules.

The decline in noninterest income reflected reduced servicing fees (down $13.2 billion, or 44 percent), lower securitization income (down $4.3 billion, or 89.9 percent), and lower trading revenue (down $1.4 billion, or 5.6 percent). The application of new reporting rules contributed to these declines. Among the noninterest income categories that were not affected by the new rules, service charges on deposit accounts were $5.5 billion (13.1 percent) lower than in 2009, gain on sales of loans and other assets was $3.2 billion (29.4 percent) lower, and investment banking income was $2.1 billion (17.8 percent) lower.

Noninterest expenses fell by $12.6 billion in 2010, as a result of the $28.7 billion reduction in charges for goodwill impairment. Salaries and employee

[1] Amendments to prior financial reports produced a $23.1 billion net reduction in industry earnings for 2009, from an originally reported $12.5 billion aggregate profit to a $10.6 billion net loss. Most of the revision resulted from a $20.3 billion increase in charges for goodwill impairment at one large institution.

[2] FASB Statements 166 and 167.

benefits expenses increased by $5.8 billion (3.5 percent), as the number of employees at insured institutions rose by 23,407 (1.1 percent). Expenses for premises and fixed assets were $1.0 billion (2.3 percent) lower than in 2009.

Insured institutions charged-off $187.1 billion (net) in troubled loans in 2010, a $1.7 billion (0.9 percent) decline from 2009. This is the first year-over-year decline in charge-offs in four years, and it occurred despite a $26.6 billion (69.8 percent) increase in reported credit card charge-offs caused by the new reporting rules that took effect in 2010. Most major loan categories had lower charge-offs in 2010. Charge-offs of loans to commercial and industrial (C&I) borrowers were $11.2 billion (35.1 percent) lower, charge-offs of real estate construction and development loans fell by $6.8 billion (24.8 percent), and charge-offs of non-credit card consumer loans declined by $6.1 billion (31.9 percent). Apart from credit cards, the only other major loan category that had increased charge-offs was real estate loans secured by nonfarm nonresidential properties. Net charge-offs of these loans were $4.6 billion (54.5 percent) higher than in 2009.

In the twelve months ended December 31, the amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) declined by $36.4 billion (9.2 percent). This is the first 12-month decline in noncurrent loans and leases since 2005. As was the case with charge-offs, most major loan categories registered improvement in noncurrent levels. Noncurrent real estate construction and development loans declined by $20.4 billion (28.4 percent) in 2010, while noncurrent C&I loans fell by $12.5 billion (30.2 percent). Noncurrent residential mortgage loans declined by $3.4 billion (1.9 percent). The two major loan categories where noncurrent balances increased in 2010 were real estate loans secured by nonfarm nonresidential properties (where noncurrent balances were up by $3.9 billion, or 9.2 percent) and credit cards (where noncurrent balances rose by $968 million, or 6.7 percent). The latter increase reflected the application of new reporting rules in 2010.

Total assets of insured institutions increased by $234.2 billion (1.8 percent), in 2010. The increase was attributable to new reporting rules that caused more than $300 billion in securitized loan balances to be consolidated into banks' balance sheets at the beginning of the year. Credit card balances at year end 2010 were $280.5 billion (66.6 percent) higher than a year earlier. In contrast, balances in all other major loan categories declined during 2010. The largest decline occurred in real estate construction and development loans, where balances fell by $129.2 billion (28.7 percent). Other large declines occurred in C&I loans (down $36.0 billion, or 2.9 percent), home equity lines of credit (down $24.7 billion, or 3.7 percent), real estate loans secured by nonfarm nonresidential properties (down $20.5 billion, or 1.9 percent), and 1-4 family residential mortgages (down $18.2 billion, or 1 percent). Insured institutions' securities holdings increased by $167.3 billion (6.7 percent) during the year, as their U.S. Treasury securities rose by $85.1 billion (83.0 percent) and their mortgage-backed securities increased by $87.4 billion (6.3 percent).

Total deposits increased by $196.2 billion (2.1 percent), as deposits in domestic offices rose by $176.3 billion (2.3 percent). Most of the increase in domestic deposits occurred in noninterest-bearing accounts, which grew by $136.9 billion (8.8 percent). Nondeposit liabilities declined by $30.7 billion (1.3 percent) during the year, as advances from Federal Home Loan Banks fell by $146.7 billion (27.5 percent). Other secured borrowings increased by $205.6 billion, as part of the consolidation of securitized loan balances back into balance sheets at the beginning of 2010. Total equity capital, including minority interests in consolidated subsidiaries, increased by $68.8 billion (4.8 percent) in 2010.

The number of institutions on the FDIC's "Problem List" increased from 702 to 884 during 2010. This is the largest number of "Problem" institutions since March 31, 1993, when there were 928. Total assets of "Problem" institutions declined from $402.8 billion to $390.0 billion. During 2010, 157 insured institutions with $92.1 billion in assets failed and were resolved by the FDIC.

5 Management Control

Enterprise Risk Management

The Office of Enterprise Risk Management, under the auspices of the Chief Financial Officer organization, is responsible for corporate oversight of internal control and enterprise risk management (ERM). This includes ensuring that the FDIC's operations and programs are effective and efficient and that internal controls are sufficient to minimize exposure to waste and mismanagement. The FDIC recognizes the importance of a strong risk management and internal control program and has adopted a more proactive and enterprise-wide approach to managing risk. This approach focuses on the identification and mitigation of risk consistently and effectively throughout the Corporation, with emphasis on those areas/issues most directly related to the FDIC's overall mission. As an independent government corporation, the FDIC has different requirements than appropriated federal government agencies; nevertheless, its ERM program seeks to comply with the spirit of the following standards, among others:

- the Federal Managers' Financial Integrity Act (FMFIA);
- the Chief Financial Officers Act (CFO Act);
- the Government Performance and Results Act (GPRA);
- the Federal Information Security Management Act (FISMA); and
- the OMB Circular A-123.

The CFO Act extends to the FDIC the FMFIA requirements for establishing, evaluating and reporting on internal controls. The FMFIA requires agencies to annually provide a statement of assurance regarding the effectiveness of management, administrative and accounting controls, and financial management systems.

The FDIC has developed and implemented management, administrative, and financial systems controls that reasonably ensure that:

- Programs are efficiently and effectively carried out in accordance with applicable laws and management policies;
- Programs and resources are safeguarded against waste, fraud, and mismanagement;
- Obligations and costs comply with applicable laws; and
- Reliable, complete, and timely data are maintained for decision-making and reporting purposes.

The FDIC's control standards incorporate the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*. Good internal control systems are essential for ensuring the proper conduct of FDIC business and the accomplishment of management objectives by serving as checks and balances against undesirable actions or outcomes.

As part of the Corporation's continued commitment to establish and maintain effective and efficient internal controls, FDIC management routinely conducts reviews of internal control systems. The results of these reviews, as well as consideration of the results of audits, evaluations, and reviews conducted by GAO, the Office of Inspector General (OIG), and other outside entities, are used as a basis for the FDIC's reporting on the condition of the Corporation's internal control activities.

Material Weaknesses

Material weaknesses are control shortcomings in operations or systems that, among other things, severely impair or threaten the organization's ability to accomplish its mission or to prepare timely, accurate financial statements or reports. The shortcomings are of sufficient magnitude that the Corporation is obliged to report them to external stakeholders.

At the end of the 2009 audit, GAO identified a material weakness in the loss-share estimation processes and a significant deficiency in the information technology security area. Subsequent implementation of enhanced controls has eliminated the material weakness and the significant deficiency.

To determine the existence of material weaknesses, the FDIC has assessed the results of management evaluations and external audits of the Corporation's risk management and internal control systems conducted in 2010, as well as management actions taken to address issues identified in these audits and evaluations. Based on this assessment and application of other criteria, the FDIC concludes that no material weaknesses existed within the Corporation's operations for 2010.

Additionally, FDIC management will continue to focus on high priority areas, including implementation of Dodd-Frank Act, the Program Management Office organizations, IT systems security, resolution of bank failures, and privacy, among others.

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, 2009, through September 30, 2010.

TABLE 1: Management Report on Final Action on Audits with Disallowed Costs for Fiscal Year 2010

	Audit Reports	Number of Reports	Disallowed Costs
Dollars in Thousands			
A.	Management decisions – final action not taken at beginning of period	0	$0
B.	Management decisions made during the period	4	$34,037
C.	Total reports pending final action during the period (A and B)	4	$34,037
D.	Final action taken during the period:		
	1. Recoveries:		
	(a) Collections & offsets	2	$8,127
	(b) Other	0	$0
	2. Write-offs	2	$837
	3. Total of 1(a), 1(b), & 2	2[1]	$8,964
E.	Audit reports needing final action at the end of the period	2	$25,148[2]

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

[2]Amount collected in D3 included excess recoveries of $75,000, 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 2010

	Audit Reports	Number of Reports	Funds Put to Better Use
Dollars in Thousands			
A.	Management decisions – final action not taken at beginning of period	0	$0
B.	Management decisions made during the period	2	$410
C.	Total reports pending final action during the period (A and B)	2	$410
D.	Final action taken during the period:		
	1. Value of recommendations implemented (completed)	1	$151
	2. Value of recommendations that management concluded should not or could not be implemented or completed	2	$259
	3. Total of 1 and 2	2[3]	$410
E.	Audit reports needing final action at the end of the period	0	$0

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

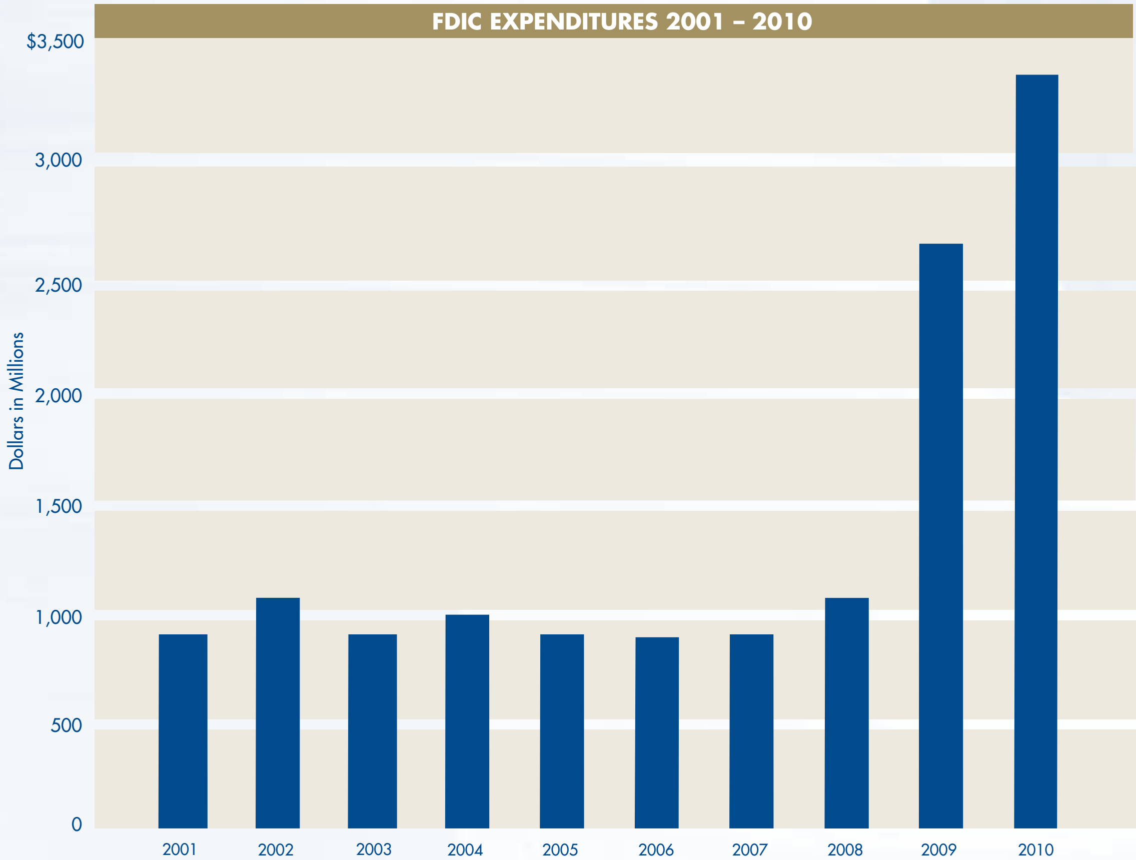
TABLE 3: Audit Reports without Final Actions But with Management Decisions over One Year Old for Fiscal Year 2010

Management Action in Process

Report No. and Issue Date	OIG Audit Finding	Management Action	Disallowed Costs
AUD-10-002 12/11/09	The OIG recommended that the FDIC should review and revise (where appropriate) its risk assessment methodology, to ensure adequate consideration of the risks associated with electronic transactions involving the Internet.	The FDIC will formally document and further integrate its existing e-authentication risk assessments into the overall risk assessment methodology. Also, the FDIC will reassess the e-authentication risk assessment process for FDICconnect. **Completed: February 2011**	$0

6 Appendices

A. Key Statistics



The FDIC's Strategic Plan and Annual Performance Plan provide the basis for annual planning and budgeting for needed resources. The 2010 aggregate budget (for corporate, receivership, and investment spending) was $4.0 billion, while actual expenditures for the year were $3.4 billion, about $1.1 billion more than 2009 expenditures.

Over the past decade, the FDIC's expenditures have varied in response to workload. During the last two years, expenditures have risen, largely due to increasing resolution and receivership activity. To a lesser extent, increased expenses have resulted from supervision-related costs associated with the oversight of more troubled institutions.

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through December 31, 2010

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
2010	$250,000	$7,887,730	$6,221,127	78.9	$(7,352.2)	(0.09)	(0.12)
2009	250,000	7,705,329	5,407,733	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
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

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through December 31, 2010 (continued)

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
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
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

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through December 31, 2010 (continued)

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
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	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 noninterest-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 of 2010, estimates of insured deposits include the Dodd-Frank Act temporary unlimited coverage for noninterest-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 2010, figures are for DIF. Amounts for 1989 - 2010 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, 2010

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	Administrative and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/(Loss)
Total	**$155,776.5**	**$101,879.8**	**$11,391.8**	**$65,877.3**		**$164,345.5**	**$134,894.6**	**$19,731.5**	**$9,719.4**	**$139.5**	**$(8,429.5)**
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	3,496.6	1,885.0	0.0	1,611.6	0.0816%	4,352.2	3,811.3	219.9	321.0	5.6	(850.0)
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)
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

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2010 (continued)

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	Administrative and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
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
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

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2010 (continued)

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	Administrative and Operating Expenses[2]	Interest & Other Ins. Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
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
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 132) 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**	**$75,318,843**	**$81,580,645**
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	3,234,883	3,780,121
1991	144	78,898,904	65,173,122	8,627,894	9,126,190
1990	213	129,662,498	98,963,962	16,063,762	19,258,655
1989[4]	318	134,519,630	113,168,009	47,085,045	49,308,118

[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 2010

Dollars in Thousands

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								
Bank of Leeton Leeton, MO	NM	1,662	$20,128	$20,335	$20,091	$9,046	01/22/10	Sunflower Bank, N.A. Salina, KS
Citizens Bank Trust Company of Chicago Chicago, IL	NM	2,259	$73,490	$74,519	$71,552	$42,861	04/23/10	Republic Bank of Chicago Oak Brook, IL
The Bank of Bonifay Bonifay, FL	NM	10,577	$242,871	$230,190	$225,391	$78,605	05/07/10	First Federal Bank of Florida Lake City, FL
Towne Bank of Arizona Mesa, AZ	NM	1,018	$120,246	$113,243	$98,547	$44,096	05/07/10	Commerce Bank of Arizona Tucson, AZ
First National Bank Savannah, GA	N	3,856	$252,520	$231,857	$211,261	$93,989	06/25/10	The Savannah Bank, N.A. Savannah, GA
The Gordon Bank Gordon, GA	NM	2,548	$29,259	$26,867	$29,273	$8,882	10/22/10	Morris Bank Dublin, GA
Whole Bank Purchase and Assumption - All Deposits								
Horizon Bank Bellingham, WA	NM	39,716	$1,188,956	$1,049,063	$1,040,135	$383,684	01/08/10	Washington FS&LA Seattle, WA
St. Stephen State Bank St. Stephen, MN	NM	2,347	$22,895	$23,912	$23,371	$12,197	01/15/10	First State Bank of St. Joseph St. Joseph, MN
Town Community Bank & Trust Antioch, IL	NM	1,717	$70,758	$68,323	$69,557	$26,642	01/15/10	First American Bank Elk Grove Village, IL
Evergreen Bank Seattle, WA	NM	11,116	$395,980	$340,378	$315,121	$109,168	01/22/10	Umpqua Bank Roseburg, OR
Premier American Bank Miami, FL	NM	4,865	$299,225	$285,554	$268,053	$112,344	01/22/10	Premier American Bank, N.A. Miami, FL
Charter Bank Santa Fe, NM	SB	19,945	$1,201,922	$859,933	$821,503	$246,120	01/22/10	Charter Bank Albuquerque, NM
Columbia River Bank The Dalles, OR	NM	49,744	$955,112	$908,132	$891,998	$167,875	01/22/10	Columbia State Bank Tacoma, WA
First Regional Bank Los Angeles, CA	NM	17,633	$2,082,684	$1,664,450	$1,540,091	$545,163	01/29/10	First-Citizens Bank & Trust Company Raleigh, NC
American Marine Bank Bainbridge Island, WA	NM	22,622	$329,246	$287,443	$269,735	$81,369	01/29/10	Columbia State Bank Tacoma, WA
First National Bank of Georgia Carrollton, GA	N	49,467	$840,633	$780,196	$751,253	$197,132	01/29/10	Community & Southern Bank Carrollton, GA
Community Bank and Trust Cornelia, GA	NM	99,016	$1,181,717	$1,067,957	$1,020,389	$363,060	01/29/10	SCBT, N.A. Orangeburg, SC
Florida Community Bank Immokalee, FL	NM	25,340	$835,701	$776,556	$794,414	$331,055	01/29/10	Premier American Bank, N.A. Miami, FL
Marshall Bank National Association Hallock, MN	N	3,837	$58,566	$55,662	$49,297	$14,524	01/29/10	United Valley Bank Cavalier, ND
1st American State Bank of Minnesota Hancock, MN	NM	1,375	$18,155	$16,327	$14,452	$5,042	02/05/10	Community Development Bank, FSB Ogema, MN
George Washington Savings Bank Orland Park, IL	SI	15,015	$413,673	$395,310	$398,398	$91,528	02/19/10	FirstMerit Bank, N.A. Akron, OH

FDIC-Insured Institutions Closed During 2010 (continued)
Dollars in Thousands

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
La Jolla Bank, FSB La Jolla, CA	SB	43,243	$3,646,071	$2,799,362	$2,879,761	$1,035,182	02/19/10	OneWest Bank, FSB Pasadena, CA
The La Coste National Bank La Coste, TX	N	3,052	$53,936	$49,275	$49,068	$3,684	02/19/10	Community National Bank Hondo, TX
Marco Community Bank Marco Island, FL	SM	4,326	$119,578	$117,097	$120,435	$33,844	02/19/10	Mutual of Omaha Bank Omaha, NE
Carson River Community Bank Carson City, NV	NM	937	$51,095	$50,024	$51,024	$19,057	02/26/10	Heritage Bank of Nevada Reno, NV
Rainier Pacific Bank Tacoma, WA	SI	38,259	$717,806	$446,192	$429,154	$184,644	02/26/10	Umpqua Bank Roseburg, OR
Bank of Illinois Normal, IL	SM	8,050	$211,711	$198,487	$185,977	$41,856	03/05/10	Heartland Bank and Trust Company Bloomington, IL
Sun American Bank Boca Raton, FL	SM	9,845	$535,724	$443,481	$438,042	$149,588	03/05/10	First-Citizens Bank & Trust Company Raleigh, NC
LibertyPointe Bank New York, NY	NM	4,809	$216,500	$209,477	$198,442	$39,489	03/11/10	Valley National Bank Wayne, NJ
The Park Avenue Bank New York, NY	NM	8,771	$520,146	$494,505	$477,584	$107,539	03/12/10	Valley National Bank Wayne, NJ
Statewide Bank Covington, LA	NM	9,696	$243,215	$207,821	$206,074	$59,955	03/12/10	Home Bank Lafayette, LA
Old Southern Bank Orlando, FL	SM	6,110	$336,390	$319,746	$328,893	$87,984	03/12/10	Centennial Bank Conway, AR
Century Security Bank Duluth, GA	NM	1,256	$96,535	$93,967	$95,230	$39,269	03/19/10	Bank of Upson Thomaston, GA
Appalachian Community Bank Ellijay, GA	NM	40,289	$1,010,075	$917,575	$924,510	$309,652	03/19/10	Community & Southern Bank Carrollton, GA
American National Bank Parma, OH	N	1,173	$70,318	$66,752	$67,496	$26,511	03/19/10	The National Bank & Trust Company Wilmington, OH
Bank of Hiawassee Hiawassee, GA	NM	17,119	$377,779	$339,597	$329,792	$116,484	03/19/10	Citizens South Bank Gastonia, NC
State Bank of Aurora Aurora, MN	NM	2,641	$28,159	$27,801	$26,502	$8,693	03/19/10	Northern State Bank Ashland, WI
First Lowndes Bank Fort Deposit, AL	NM	8,621	$137,175	$131,117	$122,594	$35,314	03/19/10	First Citizens Bank Luverne, AL
Desert Hills Bank Phoenix, AZ	NM	9,393	$496,552	$426,473	$410,763	$108,310	03/26/10	New York Community Bank Westbury, NY
Key West Bank Key West, FL	SB	1,477	$88,031	$67,662	$76,254	$25,370	03/26/10	Centennial Bank Conway, AR
McIntosh Commercial Bank Carrollton, GA	NM	7,785	$363,405	$343,339	$315,912	$141,844	03/26/10	CharterBank West Point, GA
Unity National Bank Cartersville, GA	N	13,028	$300,590	$264,286	$244,923	$70,961	03/26/10	Bank of the Ozarks Little Rock, AR
Beach First National Bank Myrtle Beach, SC	N	12,329	$590,024	$516,026	$518,344	$119,396	04/09/10	Bank of North Carolina Thomasville, NC
AmericanFirst Bank Clermont, FL	NM	2,684	$104,034	$81,887	$92,563	$19,084	04/16/10	TD Bank, N.A. Wilmington, DE

FDIC-Insured Institutions Closed During 2010 (continued)
Dollars in Thousands

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
Butler Bank Lowell, MA	SI	8,010	$245,534	$233,222	$225,408	$27,738	04/16/10	People's United Bank Bridgeport, CT
City Bank Lynwood, WA	NM	26,952	$981,913	$1,020,494	$903,819	$264,329	04/16/10	Whidbey Island Bank Coupeville, WA
First Federal Bank of North Florida Palatka, FL	SB	16,768	$440,122	$324,198	$371,552	$13,095	04/16/10	TD Bank, N.A. Wilmington, DE
Innovative Bank Oakland, CA	NM	4,349	$266,816	$225,241	$211,111	$44,817	04/16/10	Center Bank Los Angeles, CA
Riverside National Bank of Florida Fort Pierce, FL	N	235,048	$3,393,818	$2,724,623	$2,861,518	$605,501	04/16/10	TD Bank, N.A. Wilmington, DE
Tamalpais Bank San Rafael, CA	NM	12,006	$611,504	$487,582	$462,814	$76,525	04/16/10	Union Bank, N.A. San Francisco, CA
Amcore Bank, N.A. Rockford, IL	N	154,667	$3,066,240	$3,421,194	$2,774,842	$320,947	04/23/10	Harris National Association Chicago, IL
Broadway Bank Chicago, IL	NM	8,086	$1,059,194	$1,113,959	$1,021,203	$391,357	04/23/10	MB Financial Bank, N.A. Chicago, IL
Lincoln Park Savings Bank Chicago, IL	SI	11,153	$194,618	$162,627	$162,662	$52,020	04/23/10	Northbrook Bank and Trust Company Northbrook, IL
New Century Bank Chicago, IL	NM	6,612	$447,239	$492,046	$427,045	$125,868	04/23/10	MB Financial Bank, N.A. Chicago, IL
Peotone Bank and Trust Company Peotone, IL	NM	8,405	$130,165	$124,676	$124,317	$46,514	04/23/10	First Midwest Bank Itasca, IL
Wheatland Bank Naperville, IL	NM	8,011	$441,694	$438,502	$445,153	$136,915	04/23/10	Wheaton Bank and Trust Wheaton, IL
BC National Bank Butler, MO	N	3,382	$52,204	$43,635	$40,180	$15,798	04/30/10	Community First Bank Butler, MO
CF Bancorp Port Huron, MI	SI	73,727	$1,599,122	$1,418,445	$1,732,557	$487,779	04/30/10	First Michigan Bank Troy, MI
Champion Bank Creve Coeur, MO	NM	4,242	$195,510	$153,763	$160,292	$68,999	04/30/10	BankLiberty Liberty, MO
Frontier Bank Everett, WA	NM	96,539	$3,250,734	$2,846,886	$2,759,290	$1,096,211	04/30/10	Union Bank, N.A. San Francisco, CA
Eurobank San Juan, PR	NM	23,521	$2,453,138	$1,970,724	$2,313,651	$1,187,775	04/30/10	Oriental Bank and Trust San Juan, PR
R-G Premier Bank of Puerto Rico Hato Rey, PR	NM	325,495	$5,681,177	$4,220,108	$5,496,730	$1,455,166	04/30/10	Scotiabank de Puerto Rico San Juan, PR
Westernbank Puerto Rico Mayaguez, PR	NM	302,338	$10,797,345	$8,619,969	$10,274,407	$4,249,644	04/30/10	Banco Popular de Puerto Rico San Juan, PR
1st Pacific Bank of California San Diego, CA	SM	4,299	$335,798	$291,173	$267,981	$80,457	05/07/10	City National Bank Los Angeles, CA
Access Bank Champlin, MN	NM	1,602	$31,996	$31,969	$29,681	$8,644	05/07/10	Prinsbank Prinsburg, MN
Midwest Bank and Trust Company Elmwood Park, IL	SM	78,283	$3,172,915	$2,420,738	$2,265,630	$221,301	05/14/10	FirstMerit Bank, N.A. Akron, OH
New Liberty Bank Plymouth, MI	NM	3,125	$111,239	$101,884	$99,290	$28,640	05/14/10	Bank of Ann Arbor Ann Arbor, MI

FDIC-Insured Institutions Closed During 2010 (continued)

Dollars in Thousands

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
Satilla Community Bank Saint Marys, GA	NM	2,348	$135,688	$134,005	$122,425	$32,822	05/14/10	Ameris Bank Moultrie, GA
Southwest Community Bank Springfield, MO	NM	1,505	$100,659	$102,463	$97,449	$32,114	05/14/10	Simmons First National Bank Pine Bluff, AR
Pinehurst Bank St. Paul, MN	NM	1,597	$61,215	$58,288	$54,630	$11,474	05/21/10	Coulee Bank La Crosse, WI
Bank of Florida–Southeast Ft. Lauderdale, FL	NM	7,333	$595,318	$531,752	$477,614	$77,586	05/28/10	Everbank Jacksonville, FL
Bank of Florida–Southwest Naples, FL	NM	11,061	$640,894	$559,897	$567,536	$106,905	05/28/10	Everbank Jacksonville, FL
Bank of Florida–Tampa Bay Tampa, FL	NM	2,628	$240,513	$224,024	$244,489	$40,273	05/28/10	Everbank Jacksonville, FL
Granite Community Bank Granite Bay, CA	N	2,920	$102,913	$94,252	$94,825	$21,447	05/28/10	Tri Counties Bank Chico, CA
Sun West Bank Las Vegas, NV	NM	6,753	$360,662	$353,943	$331,949	$96,693	05/28/10	City National Bank Los Angeles, CA
First National Bank Rosedale, MS	N	2,122	$60,449	$63,483	$72,828	$25,123	06/04/10	The Jefferson Bank Fayette, MS
TierOne Bank Lincoln, NE	SB	176,888	$2,824,737	$2,185,817	$1,897,433	$313,755	06/04/10	Great Western Bank Sioux Falls, SD
Washington First International Bank Seattle, WA	NM	10,035	$520,887	$441,362	$396,237	$136,118	06/11/10	East West Bank Pasadena, CA
Nevada Security Bank Reno, NV	NM	9,846	$492,491	$479,759	$475,638	$87,810	06/18/10	Umpqua Bank Roseburg, OR
High Desert State Bank Albuquerque, NM	NM	2,026	$80,343	$80,985	$73,025	$24,829	06/25/10	First American Bank Artesia, NM
Peninsula Bank Englewood, FL	NM	13,339	$630,179	$580,140	$605,285	$226,929	06/25/10	Premier American Bank Miami, FL
USA Bank Port Chester, NY	NM	2,985	$190,678	$188,644	$190,006	$65,243	07/09/10	New Century Bank Phoenixville, PA
Bay National Bank Lutherville, MD	N	2,661	$217,743	$212,612	$205,167	$23,368	07/09/10	Bay Bank, FSB Lutherville, MD
Home National Bank Blackwell, OK	N	25,726	$585,445	$514,038	$512,769	$83,213	07/09/10	RCB Bank Claremore, OK
Mainstreet Savings Bank, FSB Hastings, MI	SB	8,132	$96,584	$63,291	$62,759	$15,690	07/16/10	Commercial Bank Alma, MI
Metro Bank of Dade County Miami, FL	SM	8,766	$399,441	$375,522	$369,253	$75,556	07/16/10	NAFH National Bank Miami, FL
Olde Cypress Community Bank Clewiston, FL	SB	8,110	$161,355	$157,997	$160,183	$38,643	07/16/10	CenterState Bank of Florida, N.A. Winter Haven, FL
Turnberry Bank Aventura, FL	SB	3,888	$240,250	$179,169	$177,459	$40,535	07/16/10	NAFH National Bank Miami, FL
Woodlands Bank Bluffton, SC	SB	6,554	$382,803	$364,808	$360,454	$120,068	07/16/10	Bank of the Ozarks Little Rock, AR
First National Bank of the South Spartanburg, SC	N	20,097	$619,374	$550,891	$540,575	$83,037	07/16/10	NAFH National Bank Miami, FL

FDIC-Insured Institutions Closed During 2010 (continued)
Dollars in Thousands

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
Community Security Bank New Prague, MN	NM	4,984	$100,649	$95,100	$94,987	$21,438	07/23/10	Roundbank Waseca, MN
Crescent Bank & Trust Company Jasper, GA	NM	28,701	$970,235	$932,809	$918,107	$279,759	07/23/10	Renasant Bank Tupelo, MS
Home Valley Bank Cave Junction, OR	SM	13,230	$250,488	$227,935	$227,449	$44,651	07/23/10	South Valley Bank & Trust Klamath Falls, OR
Southwest USA Bank Las Vegas, NV	NM	2,068	$203,690	$183,985	$178,885	$79,904	07/23/10	Plaza Bank Irvine, CA
Sterling Bank Lantana, FL	SM	7,533	$354,966	$329,541	$317,657	$54,119	07/23/10	IBERIABANK Lafayette, LA
Thunder Bank Sylvan Grove, KS	SM	1,454	$28,248	$27,048	$25,813	$8,007	07/23/10	The Bennington State Bank Salina, KS
Williamsburg First National Bank Kingstree, SC	N	8,801	$130,411	$126,993	$117,906	$10,103	07/23/10	First Citizens Bank and Trust Company, Inc. Columbia, SC
Bayside Savings Bank Port Saint Joe, FL	SB	2,191	$64,344	$52,720	$49,891	$19,966	07/30/10	Centennial Bank Conway, AR
Coastal Community Bank Panama City Beach, FL	NM	12,152	$377,469	$370,016	$372,707	$106,767	07/30/10	Centennial Bank Conway, AR
Liberty Bank Eugene, OR	NM	30,465	$714,574	$692,670	$679,600	$200,197	07/30/10	Home Federal Bank Nampa, ID
NorthWest Bank and Trust Acworth, GA	NM	3,861	$160,763	$155,531	$152,916	$39,380	07/30/10	State Bank and Trust Company Macon, GA
The Cowlitz Bank Longview, WA	NM	10,709	$489,019	$474,742	$448,186	$82,180	07/30/10	Heritage Bank Olympia, WA
Ravenswood Bank Chicago, IL	NM	4,472	$264,628	$269,448	$265,043	$104,994	08/06/10	Northbrook Bank and Trust Company Northbrook, IL
Palos Bank and Trust Company Palos Heights, IL	NM	26,165	$493,391	$467,784	$462,086	$86,611	08/13/10	First Midwest Bank Itasca, IL
Butte Community Bank Chico, CA	NM	45,195	$498,751	$471,256	$461,309	$34,729	08/20/10	Rabobank, N.A. El Centro, CA
Community National Bank at Bartow Bartow, FL	N	2,804	$67,918	$63,708	$60,308	$15,429	08/20/10	CenterState Bank of Florida, N.A. Winter Haven, FL
Imperial Savings & Loan Association Martinsville, VA	SB	1,363	$9,448	$10,090	$9,374	$5,062	08/20/10	River Community Bank, N.A. Martinsville, VA
Independent National Bank Ocala, FL	N	10,146	$156,218	$141,877	$143,569	$32,403	08/20/10	CenterState Bank of Florida, N.A. Winter Haven, FL
Los Padres Bank Solvang, CA	SB	22,198	$866,459	$770,899	$754,140	$120,143	08/20/10	Pacific Western Bank San Diego, CA
Pacific State Bank Stockton, CA	SM	9,957	$312,077	$278,832	$254,769	$38,909	08/20/10	Rabobank, N.A. El Centro, CA
ShoreBank Chicago, IL	NM	39,039	$2,166,431	$1,547,403	$2,147,161	$570,625	08/20/10	Urban Partnership Bank Chicago, IL
Sonoma Valley Bank Sonoma, CA	NM	12,728	$337,113	$255,501	$251,413	$19,076	08/20/10	Westamerica Bank San Rafael, CA
Horizon Bank Bradenton, FL	SM	6,284	$187,819	$164,594	$162,893	$68,863	09/10/10	Bank of the Ozarks Little Rock, AR

FDIC-Insured Institutions Closed During 2010 (continued)

Dollars in Thousands

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 Ellijay Ellijay, GA	NM	4,524	$168,820	$160,718	$172,102	$60,270	09/17/10	Community & Southern Bank Carrollton, GA
Bramble Savings Bank Milford, OH	SI	1,936	$47,523	$41,551	$41,548	$17,588	09/17/10	Foundation Bank Cincinnati, OH
First Commerce Community Bank Douglasville, GA	NM	4,173	$248,151	$242,831	$228,416	$77,233	09/17/10	Community & Southern Bank Carrollton, GA
ISN Bank Cherry Hill, NJ	NM	1,106	$81,564	$79,652	$76,930	$27,799	09/17/10	New Century Bank Phoenixville, PA
Maritime Savings Bank West Allis, WI	SB	12,973	$350,488	$248,134	$344,476	$105,372	09/17/10	North Shore Bank, FSB Brookfield, WI
The Peoples Bank Winder, GA	NM	24,437	$447,185	$398,181	$373,755	$100,169	09/17/10	Community & Southern Bank Carrollton, GA
Haven Trust Bank Florida Ponte Vedra Beach, FL	NM	2,223	$148,575	$133,561	$130,909	$36,793	09/24/10	First Southern Bank Boca Raton, FL
North County Bank Arlington, WA	NM	7,602	$288,776	$276,081	$258,513	$80,531	09/24/10	Whidbey Island Bank Coupeville, WA
Shoreline Bank Shoreline, WA	NM	4,649	$92,980	$90,644	$90,930	$40,381	10/01/10	GBC International Bank Los Angeles, CA
Wakulla Bank Crawfordville, FL	NM	26,383	$402,205	$367,228	$394,803	$109,487	10/01/10	Centennial Bank Conway, AR
Premier Bank Jefferson City, MO	NM	28,804	$989,382	$869,367	$965,935	$404,596	10/15/10	Providence Bank Columbia, MO
Security Savings Bank Olathe, KS	SA	18,336	$453,349	$347,080	$339,787	$80,362	10/15/10	Simmons First National Bank Pine Bluff, AR
Westbridge Bank and Trust Chesterfield, MO	NM	1,261	$87,782	$70,131	$67,242	$18,588	10/15/10	Midland States Bank Effingham, IL
First Bank of Jacksonville Jacksonville, FL	NM	1,814	$73,922	$72,198	$72,037	$16,098	10/22/10	Ameris Bank Moultrie, GA
First Suburban National Bank Maywood, IL	N	6,482	$143,451	$135,475	$137,665	$28,974	10/22/10	Seaway Bank and Trust Company Chicago, IL
Hillcrest Bank Overland Park, KS	NM	38,922	$1,583,611	$1,488,785	$1,476,695	$318,195	10/22/10	Hillcrest Bank, N.A. Overland Park, KS
Progress Bank of Florida Tampa, FL	SM	1,882	$94,823	$86,861	$85,294	$24,996	10/22/10	Bay Cities Bank Tampa, FL
The First National Bank of Barnesville Barnesville, GA	N	6,835	$126,622	$122,880	$123,943	$32,885	10/22/10	United Bank Zebulon, GA
First Vietnamese American Bank Westminster, CA	NM	721	$48,000	$47,012	$38,028	$9,635	11/05/10	Grandpoint Bank Los Angeles, CA
K Bank Randallstown, MD	NM	23,944	$538,258	$500,056	$498,567	$196,706	11/05/10	Manufacturers & Traders Trust Co. (M&T Bank) Buffalo, NY
Pierce Commercial Bank Tacoma, WA	SM	3,356	$221,082	$193,473	$181,310	$19,814	11/05/10	Heritage Bank Olympia, WA
Western Commercial Bank Woodland Hills, CA	NM	1,241	$98,635	$101,127	$105,176	$24,310	11/05/10	First California Bank Westlake Village, CA
Cooper Star Bank Scottsdale, AZ	NM	3,321	$203,955	$190,182	$194,655	$43,169	11/12/10	Stearns Bank, N.A. St. Cloud, MN

FDIC-Insured Institutions Closed During 2010 (continued)

Dollars in Thousands

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
Darby Bank & Trust Co. Vidalia, GA	NM	19,886	$654,714	$587,626	$582,144	$129,590	11/12/10	Ameris Bank Moultrie, GA
Tifton Banking Company Tifton, GA	NM	2,685	$143,729	$141,573	$132,992	$24,576	11/12/10	Ameris Bank Moultrie, GA
Allegiance Bank of America Bala Cynwyd, PA	NM	2,765	$106,595	$91,996	$96,741	$14,235	11/19/10	VIST Bank Wyomissing, PA
First Banking Center Burlington, WI	SM	44,356	$750,724	$664,752	$676,743	$139,746	11/19/10	First Michigan Bank Troy, MI
Gulf State Community Bank Carrabelle, FL	NM	7,338	$112,144	$112,193	$108,568	$42,279	11/19/10	Centennial Bank Conway, AR
Earthstar Bank Southhampton, PA	NM	4,313	$112,643	$104,505	$98,170	$22,926	12/10/10	Polonia Bank Huntingdon Valley, PA
Paramount Bank Farmington Hills, MI	SM	4,725	$252,744	$213,550	$187,403	$89,354	12/10/10	Level One Bank Farmington Hills, MI
Appalachian Community Bank, F.S.B. McCaysville, GA	SA	2,639	$68,201	$76,360	$68,552	$25,876	12/17/10	Peoples Bank of East Tennessee Madisonville, TN
Chestatee State Bank Dawsonville, GA	NM	10,740	$244,376	$244,476	$234,908	$75,136	12/17/10	Bank of the Ozarks Little Rock, AR
Community National Bank Lino Lakes, MN	N	2,604	$31,569	$28,916	$27,269	$3,717	12/17/10	Farmers & Merchants Savings Bank Manchester, IA
First Southern Bank Batesville, AR	NM	3,746	$191,764	$172,514	$141,827	$22,751	12/17/10	Southern Bank Poplar Bluff, MO
United Americas Bank, N.A. Atlanta, GA	N	3,851	$242,339	$244,172	$198,466	$75,294	12/17/10	State Bank and Trust Company Macon, GA
The Bank of Miami Coral Gables, FL	N	3,595	$448,150	$374,218	$344,755	$59,267	12/17/10	1st United Bank Boca Raton, FL
Insured Deposit Transfer								
Barnes Banking Company Kaysville, UT	SM	31,597	$709,171	$697,109	$660,026	$207,813	01/15/10	Deposit Insurance National Bank of Kaysville Kaysville, UT
Insured Deposit Payoff								
Centennial Bank Ogden, UT	NM	3,809	$212,839	$205,076	$222,567	$78,843	03/05/10	Federal Deposit Insurance Corporation
Advanta Bank Corp. Draper, UT	NM	12,975	$1,525,931	$1,519,471	$1,335,574	$606,732	03/19/10	Federal Deposit Insurance Corporation
Lakeside Community Bank Sterling Heights, MI	NM	1,920	$49,173	$52,290	$58,990	$21,471	04/16/10	Federal Deposit Insurance Corporation
Arcola Homestead Savings Bank Arcola, IL	SI	613	$17,028	$18,092	$17,115	$10,829	06/04/10	Federal Deposit Insurance Corporation
Ideal Federal Savings Bank Baltimore, MD	SB	807	$6,177	$5,803	$5,378	$5,370	07/09/10	Federal Deposit Insurance Corporation

FDIC-Insured Institutions Closed During 2010 (continued)

Dollars in Thousands

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
First Arizona Savings, FSB Scottsdale, AZ	SA	11,574	$255,920	$190,615	$265,711	$32,316	10/22/10	Federal Deposit Insurance Corporation
Insured Deposit Transfer/Purchase & Assumption								
Waterfield Bank Germantown, MD	SB	5,987	$155,566	$156,188	$562,273	$41,733	03/05/10	Federal Deposit Insurance Corporation

Codes for Bank Class:

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

[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 12/31/10. 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 claim.

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934 – 2010

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
	2,417	$879,080,555	$653,997,204	$529,207,216	$381,767,253	$31,024,200	$116,415,763
2010[4]	157	92,084,987	79,548,141	82,015,397	45,848,906	11,342,867	24,823,624
2009[4]	140	169,709,160	137,067,132	135,769,886	82,055,693	14,902,675	38,811,518
2008[4]	25	371,945,480	234,321,715	205,407,426	181,587,856	4,199,157	19,620,413
2007	3	2,614,928	2,424,187	1,914,177	1,364,131	365,827	184,219
2006	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2004	4	170,099	156,733	138,895	134,978	0	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	14,415	423,473
2001	4	1,821,760	1,661,214	1,605,147	1,128,577	166,110	310,460
2000	7	410,160	342,584	297,313	265,175	0	32,138
1999	8	1,592,189	1,320,573	1,307,045	685,154	7,557	614,334
1998	3	290,238	260,675	292,678	58,248	11,600	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	14,540,771	10,866,745	14	3,674,012
1991	124	64,556,512	52,972,034	21,499,236	15,500,130	5,786	5,993,320
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
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 – 2010 (continued)

Dollars in Thousands

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**
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
1985	4	5,886,381	5,580,359	765,732	406,676	0	359,056

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934 – 2010 (continued)

Dollars in Thousands

Assistance Transactions (continued)							
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**
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 to 1990, 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 2010, 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 $643 million, $1,689 million, and $16 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.

FDIC Actions on Financial Institutions Applications 2008 – 2010

	2010	2009	2008
Deposit Insurance	16	19	123
Approved[1]	16	19	123
Denied	0	0	0
New Branches	461	521	1,012
Approved	459	521	1,012
Denied	2	0	0
Mergers	182	190	275
Approved	182	190	275
Denied	0	0	0
Requests for Consent to Serve[2]	840	503	283
Approved	840	503	283
Section 19	10	20	8
Section 32	830	483	275
Denied	0	0	0
Section 19	0	0	0
Section 32	0	0	0
Notices of Change in Control	33	18	28
Letters of Intent Not to Disapprove	33	18	28
Disapproved	0	0	0
Brokered Deposit Waivers	67	35	38
Approved	66	34	38
Denied	1	1	0
Savings Association Activities[3]	31	39	45
Approved	31	39	45
Denied	0	0	0
State Bank Activities/Investments[4]	3	2	11
Approved	3	2	11
Denied	0	0	0
Conversion of Mutual Institutions	2	6	10
Non-Objection	2	6	10
Objection	0	0	0

[1] Includes deposit insurance applications 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 non-member 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 2008 – 2010

	2010	2009	2008
Total Number of Actions Initiated by the FDIC	758	551	273
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	1
Sec. 8p No Deposits	4	4	2
Sec. 8q Deposits Assumed	1	2	1
Sec. 8b Cease-and-Desist Actions			
Notices of Charges Issued[1,2]	1	3	1
Consent Orders	372	302	97
Sec. 8e Removal/Prohibition of Director or Officer			
Notices of Intention to Remove/Prohibit	10	2	4
Consent Orders	111	64	62
Sec. 8g Suspension/Removal When Charged With Crime	0	0	0
Civil Money Penalties Issued			
Sec. 7a Call Report Penalties	0	1	0
Sec. 8i Civil Money Penalties	212	154	98
Sec. 8i Civil Money Penalty Notices of Assessment	8	0	0
Sec. 10c Orders of Investigation	15	10	2
Sec. 19 Waiver Orders			
Approved Section 19 Waiver Orders	24	12	2
Denied Section 19 Waiver Orders	0	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	1
Grants of Relief	0	0	0
Banks Making Reimbursement[1]	64	94	94
Suspicious Activity Reports (Open and closed institutions)[1]	126,098	128,973	133,153
Other Actions Not Listed	1	0	3

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

[2] Correction for 2008.

B. More About the FDIC

FDIC Board of Directors

Sheila C. Bair

Sheila C. Bair was sworn in as the 19th Chairman of the Federal Deposit Insurance Corporation (FDIC) on June 26, 2006. She was appointed Chairman for a five-year term, and as a member of the FDIC Board of Directors through July 2013.

Chairman Bair has an extensive background in banking and finance in a career that has taken her from Capitol Hill, to academia, to the highest levels of government. Before joining the FDIC in 2006, she was the Dean's Professor of Financial Regulatory Policy for the Isenberg School of Management at the University of Massachusetts-Amherst since 2002. While there, she also served on the FDIC's Advisory Committee on Banking Policy.

Other career experience includes serving as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury (2001 to 2002), Senior Vice President for Government Relations of the New York Stock Exchange (1995 to 2000), a Commissioner and Acting Chairman of the Commodity Futures Trading Commission (1991 to 1995), and Research Director, Deputy Counsel and Counsel to Senate Majority Leader Robert Dole (1981 to 1988).

As FDIC Chairman, Ms. Bair has presided over a tumultuous period in the nation's financial sector. Her innovations have transformed the agency with programs that provide temporary liquidity guarantees, increases in deposit insurance limits, and systematic loan modifications to troubled borrowers. Ms. Bair's work at the FDIC has also focused on consumer protection and economic inclusion. She has championed the first survey of the unbanked by the U.S. Census, the creation of an Advisory Committee on Economic Inclusion, seminal research on small-dollar loan programs, and the formation of broad-based alliances in nine regional markets to bring underserved populations into the financial mainstream.

Ms. Bair has served as a member of several professional and nonprofit organizations, including the Insurance Marketplace Standards Association, Women in Housing and Finance, Center for Responsible Lending, NASD Ahead-of-the-Curve Advisory Committee, Massachusetts Savings Makes Cents, American Bar Association, Exchequer Club, and Society of Children's Book Writers and Illustrators.

Chairman Bair topped *The Wall Street Journal*'s annual 50 "Women to Watch List" for 2008. In 2008 and 2009, *Forbes* Magazine named Ms. Bair as the world's second most powerful woman after Germany's Chancellor Angela Merkel.

Chairman Bair has also received several honors for her published work on financial issues, including her educational writings on money and finance for children, and for professional achievement. Among the honors she has received are: Distinguished Achievement Award, Association of Education Publishers (2005); Personal Service Feature of the Year, and Author of the Month Awards, *Highlights Magazine for Children* (2002, 2003 and 2004); and The Treasury Medal (2002). Her first children's book – *Rock, Brock, and the Savings Shock*, was published in 2006 and her second, *Isabel's Car Wash*, in 2008.

Chairman Bair received a bachelor's degree from the University of Kansas and a J.D. from the University of Kansas School of Law. She is married to Scott P. Cooper and has two children.

Martin J. Gruenberg

Martin J. 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 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 for a six-year term. Mr. Curry serves as Chairman of the FDIC's Assessment Appeals Committee and Case Review Committee.

Mr. Curry also serves as the Chairman of the NeighborWorks® America Board of Directors. NeighborWorks® America is a national non-profit 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 E. Bowman

John E. Bowman became Acting Director of the Office of Thrift Supervision (OTS) in March 2009. Mr. Bowman joined the OTS in June of 1999 as Deputy Chief Counsel for Business Transactions. In May 2004, he was appointed Chief Counsel and in April 2007, he was appointed Deputy Director and Chief Counsel. Before joining the OTS, Mr. Bowman was a partner with the law firm of Brown & Wood LLP in its Washington, DC, office, where he specialized in government and corporate finance, securities and financial services regulation.

Before entering private practice, Mr. Bowman served for many years as Assistant General Counsel for Banking and Finance at the U.S. Department of the Treasury. While at Treasury, he provided counsel to the Treasury Under Secretary for Domestic Finance, the Assistant Secretaries for Financial Institutions Policy, Financial Markets and Economic Policy, and the Fiscal Assistant Secretary on a broad range of issues from financial services legislation to the financing of the federal debt.

During his government career, Mr. Bowman has been the recipient of numerous awards and honors, including the Presidential Rank Award and the Secretary of the Treasury's Distinguished Service Award.

John Walsh

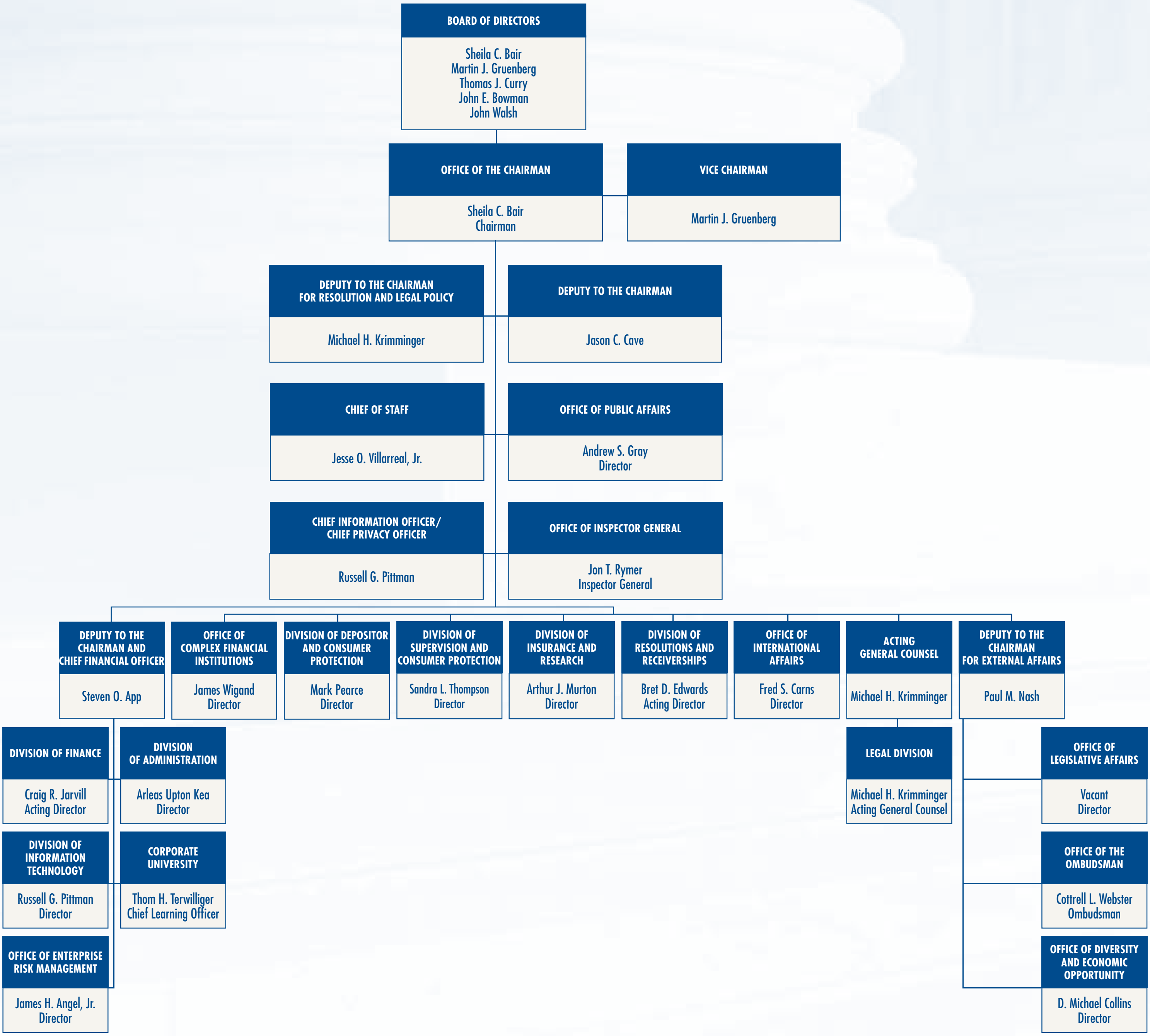
John Walsh became Acting Comptroller of the Office of the Comptroller of the Currency (OCC) on August 15, 2010, succeeding John C. Dugan. He also serves on the FDIC Board of Directors and as a board member of NeighborWorks® America. Mr. Walsh joined the OCC in October 2005 and previously served as Chief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

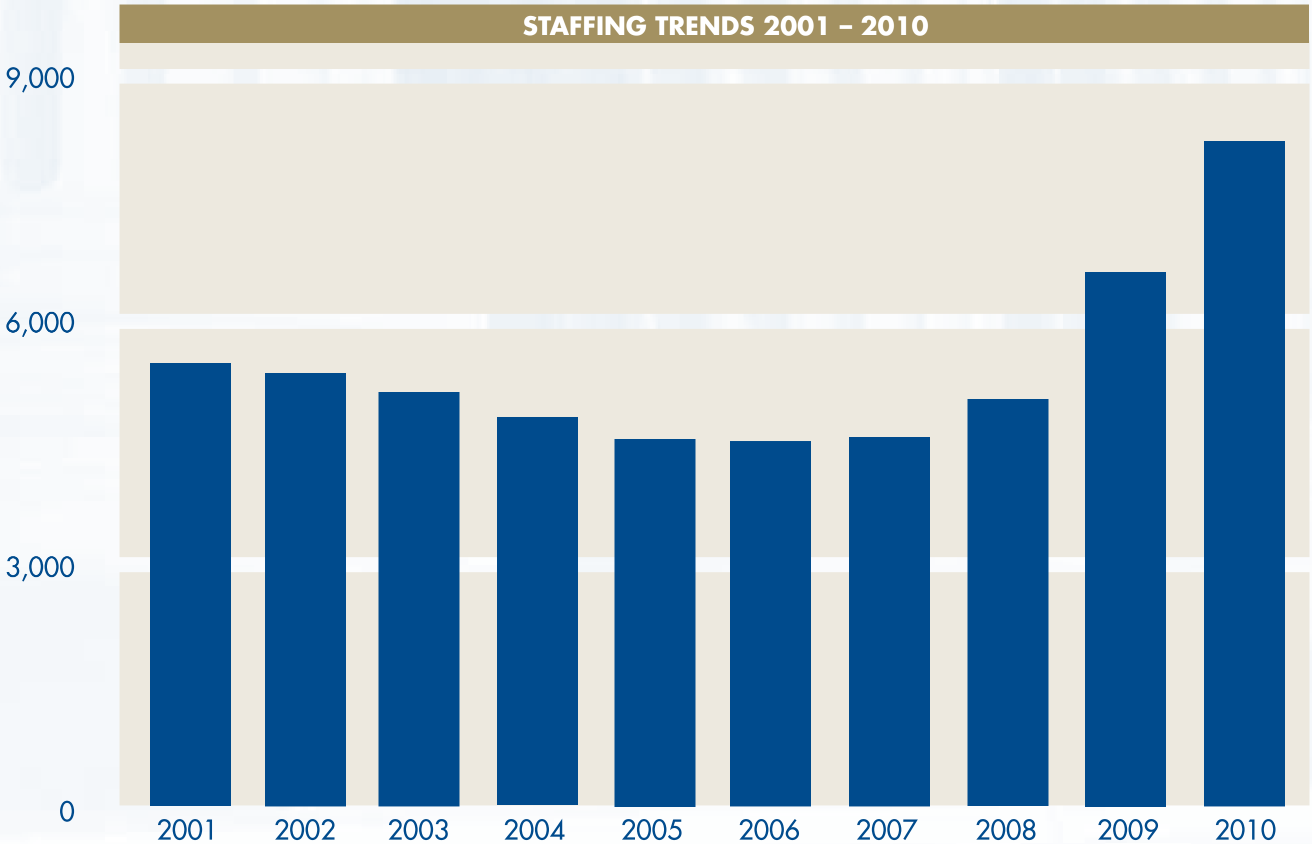
Mr. Walsh holds a masters' degree in public policy from the Kennedy School of Government, Harvard University (1978), and graduated magna cum laude from the University of Notre Dame in 1973. He lives in Catonsville, Maryland, and is married with four children.

FDIC Organization Chart/Officials

As of December 31, 2010



Corporate Staffing



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FDIC Year-End Staffing	6,167	5,430	5,311	5,078	4,514	4,476	4,532	4,988	6,557	8,150

Note: 2008-2010 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 2009 – 2010 (Year-End)[1]

	Total		Washington		Regional/Field	
	2010	2009	2010	2009	2010	2009
Division of Supervision and Consumer Protection[2]	3,649	3,168	379	222	3,270	2,946
Division of Resolutions and Receiverships[3]	2,110	1,158	155	78	1,955	1,080
Legal Division	805	625	352	302	453	323
Division of Administration	430	373	265	217	165	156
Division of Information Technology	328	298	245	227	83	71
Corporate University	207	350	199	52	8	298
Division of Insurance and Research	203	193	173	150	30	43
Division of Finance	165	155	165	145	0	10
Office of Inspector General	128	120	92	84	36	36
Executive Offices[4]	55	53	55	53	0	0
Office of the Ombudsman	31	22	12	11	19	11
Office of Diversity and Economic Opportunity	26	29	26	29	0	0
Office of Enterprise Risk Management	13	13	13	13	0	0
Total	**8,150**	**6,557**	**2,131**	**1,584**	**6,019**	**4,973**

1 The FDIC reports staffing totals using a full-time equivalent methodology, which is based on an employee's scheduled work hours. Totals may not foot due to rounding.

2 The Division of Supervision and Consumer Protection staffing count includes one staff member hired to lead the newly created Division of Depositor and Consumer Protection (DCP). DCP was not fully recognized as a separate division until January 1, 2011.

3 The Division of Resolutions and Receiverships staffing count includes one staff member hired to lead the newly created Office of Complex Financial Institutions (OCFI). OCFI was not fully recognized as a separate division until January 1, 2011.

4 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 and External Affairs.

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 – financial profiles of FDIC-insured institutions; Community Reinvestment Act evaluations and ratings for institutions supervised by the FDIC; Call Reports – 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 makes referrals 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 24 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 40 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
Suite 1700
Chicago, Illinois 60606
(312) 382-6000

- Illinois
- Indiana
- Kentucky
- Michigan
- Ohio
- Wisconsin

DALLAS REGIONAL OFFICE

1601 Bryan Street
Dallas, Texas 75201
(214) 754-0098

- Colorado
- New Mexico
- Oklahoma
- Texas

MEMPHIS AREA OFFICE

5100 Poplar Avenue
Suite 1900
Memphis, Tennessee 38137
(901) 685-1603

- Arkansas
- Louisiana
- Mississippi
- Tennessee

KANSAS CITY REGIONAL OFFICE

1100 Walnut Street
Suite 2100
Kansas City, Missouri 64106
(816) 234-8000

- Iowa
- Kansas
- Minnesota
- Missouri
- Nebraska
- North Dakota
- South Dakota

NEW YORK REGIONAL OFFICE

350 Fifth Avenue
Suite 1200
New York, New York 10118
(917) 320-2500

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

BOSTON AREA OFFICE

15 Braintree Hill Office Park
Suite 100
Braintree, Massachusetts 02184
(781) 794-5500

- Connecticut
- Maine
- Massachusetts
- New Hampshire
- Rhode Island
- Vermont

SAN FRANCISCO REGIONAL OFFICE

25 Jessie Street at Ecker Square
Suite 2300
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 its 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, we keep 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. Taking time to reexamine the corporate mission and priorities as the OIG identifies the challenges helps in planning assignments and directing OIG resources to key areas of risk.

A significant milestone that will impact multiple facets of the FDIC's programs and operations was the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) on July 21, 2010. The stated aim of the Dodd-Frank Act is "To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end 'too big to fail,' to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes".

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 restore and maintain public confidence and stability, particularly as it implements key provisions of the Dodd-Frank Act, challenges will persist in other areas as well. We note in particular that the Corporation is devoting significant additional resources to carrying out its massive resolution and receivership workload, brought on by 140 financial institution failures during 2009 and an additional 157 during 2010. At the same time, the FDIC will face continuing challenges in meeting its deposit insurance responsibilities, enhancing its supervision of financial institutions, protecting consumers, and managing its expanded internal workforce and other corporate resources.

The Corporation can take pride in having made great efforts to maintain stability and confidence in the nation's banking system: completing or sustaining a number of new initiatives, responding to new demands, and playing a key part in shaping the future of bank regulation over the past year. Passage of the Dodd-Frank Act presents new opportunities and challenges for the FDIC to continue its efforts in restoring the vitality and stability of the financial system over the coming months.

Restoring and Maintaining Public Confidence and Stability in the Financial System

With signs of recovery in the economy and the financial services industry, the FDIC and other regulators have turned a corner, but much work remains. Institutions continue to fail, and the economy is still stressed. Public confidence has been shaken and still needs to be bolstered. 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 FDIC will have significant involvement in this regard during the upcoming year.

The Dodd-Frank Act created the Financial Stability Oversight Council (FSOC), of which the FDIC is a voting member. The FSOC will monitor sources of systemic risk and promulgate rules that will be implemented by the various financial regulators represented on the FSOC. In most instances, the FSOC will reach decisions based on a simple majority of the FSOC's 10 voting members. In certain circumstances, however, a supermajority of seven votes will be required, one of which must be cast by the Secretary of the Treasury. The Dodd-Frank Act also establishes an independent Consumer Financial Protection Bureau (CFPB) within the Federal Reserve System; abolishes the Office of Thrift Supervision (OTS) and transfers 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 gives the FDIC new authorities to help address the risks in systemically important financial companies.

So that the FDIC can best carry out its responsibilities under the Dodd-Frank Act, the Board of Directors approved a number of internal organizational changes, establishing a new Office of Complex Financial Institutions (OCFI) and a new Division of Depositor and Consumer Protection (DCP). In connection with these changes, the Division of Supervision and Consumer Protection (DSC) has been renamed the Division of Risk Management Supervision (RMS). New leadership impacting these organizations was announced, effective December 31, 2010, and those named to lead them will face challenges in establishing policies, procedures, and practices to guide their new efforts.

Taken together, and along with lessons learned from the past several years, these changes to the FDIC's responsibilities and organizational structure should go a long way toward restoring confidence and public trust in the nation's financial system. 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, writing rules to implement key sections and undertaking their new responsibilities.

Assuming New Resolution Authority, Resolving Failed Institutions, and Managing Receiverships

Perhaps the most fundamental reform under the Dodd-Frank Act is the new resolution authority for large bank holding companies and systemically important nonbank financial companies. The FDIC has historically carried out a prompt and orderly resolution process under its receivership authority for insured banks and thrifts. The Dodd-Frank Act now gives the FDIC a similar set of receivership powers to liquidate failed systemically important financial firms.

A new challenge associated with this responsibility includes determining how to handle the claims process under this new authority. The FDIC has proposed a rule to ensure that all creditors—shareholders and holders of subordinated, unsecured, and secured debt—know they are at risk of loss in a failure. This proposed rule is an important step in implementing the resolution authority under the Dodd-Frank Act and ending "Too Big to Fail."

Another challenging key step will be to develop requirements for the resolution plans that all systemically important financial companies now have to establish. These resolution plans are essentially blueprints for the orderly unwinding of these companies should they run into serious problems. Under the Dodd-Frank Act, the FDIC and the Federal Reserve can exercise considerable authority to shape the content of these plans in the interest of ensuring that they are an effective means to guide the resolution of these companies.

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. One-hundred-forty institutions failed during 2009, with total assets, based upon last call reports filed, of $171.2 billion and total estimated losses to the Deposit Insurance Fund (DIF) of approximately $37.1 billion. By year-end 2009, the number of institutions on the FDIC's "Problem List" also rose to its highest level in 16 years. During 2010, an additional 157 institutions failed, and there were 884 insured institutions on the "Problem List" at the end of the year, indicating a probability of more failures to come and an increased asset disposition workload. Total assets of problem institutions decreased to $390.0 billion as of year-end 2010.

Franchise marketing activities are at the heart of the FDIC's resolution and receivership work. The FDIC pursues the least costly resolution to the 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 the acquiring institution, thus avoiding losses to uninsured depositors.

Of special note, through purchase and assumption (P&A) agreements with acquiring institutions, the Corporation has entered into 223 loss-share agreements covering $193 billion in assets (at inception). 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 a series of structured asset sales to dispose of assets with an unpaid principal balance of $22.5 billion (at inception). 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. The FDIC is managing 344 receiverships holding about $27.0 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 more intensive.

The FDIC has increased its permanent resolution and receivership staffing and has 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 at the end of 2010 was 2,118. As of year-end 2010, the FDIC also had about 1,900 active contracts valued at $4.5 billion; approximately 1,700 of these were related to the receivership function and accounted for approximately $3.5 billion of the total value.

The significant surge in failed-bank assets and associated contracting activities requires 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 personnel and administrative resources in such areas as employee background checks, which, if not timely and properly executed, can compromise the integrity of FDIC programs and operations.

As the Corporation's workforce responds to institution failures and carries out all of the resolution and receivership responsibilities outlined above, it will face a number of challenges. To summarize, first and foremost, it needs to ensure that it develops and implements strong and effective controls to mitigate the risks involved in all of its business dealings with acquirers, contractors, and other third parties. It also needs to ensure that related processes, negotiations, and decisions regarding the future status of the failed or failing institutions are marked by fairness, transparency, and integrity. Marketing failing institutions to qualified and interested potential bidders, selling assets, and maximizing potential values of failed bank franchises will continue to challenge FDIC staff. Over time, these tasks may be even more difficult, given concentrations of assets in the same geographic area, a decreasing pool of interested buyers, and an inventory of less attractive, hard-to-sell assets. It is also possible that individuals or entities that may have been involved in previous institution failures or activities contributing to losses to the insurance fund could try to reenter the FDIC's asset purchase and management arena. Appropriate safeguards must be in place to ensure that the Corporation knows the backgrounds of its bidders to prevent those parties from profiting at the expense of the Corporation. Finally, in order to minimize costs, it is important to terminate in a timely manner those receiverships not subject to loss-share agreements, structured sales, or other legal impediments.

Ensuring and Maintaining the Viability of the Deposit Insurance Fund

As of December 31, 2010, there were 7,657 FDIC-insured banking institutions with FDIC-estimated insured deposits of $6.2 trillion. A critical priority for the FDIC is to ensure that the DIF remains viable to protect insured depositors in the event of an institution's failure. The DIF has suffered from the failures of the past several years. Losses from failures in 2008 and 2009 totaled $19.6 billion and $37.1 billion, respectively. As of year-end, 2010, failures during 2010 had caused losses of approximately $24.2 billion. In September 2009, the DIF's fund balance—or net worth—fell below zero for the first time since the third quarter of 1992. Although the balance of the DIF declined by $38.1 billion during 2009 and totaled negative $7.4 billion as of December 31, 2010, the DIF's liquidity was enhanced during the fourth quarter of 2009 by 3 years of prepaid assessments and the DIF has been well positioned to fund resolution activity in 2010 and beyond. To maintain a sufficient fund balance, the FDIC collects risk-based insurance premiums from insured institutions and invests DIF funds.

The FDIC Board of Directors recently voted in December 2010 to set the DIF's designated reserve ratio at 2 percent of estimated insured deposits. The Dodd-Frank Act set a minimum designated reserve ratio of 1.35 percent, and left unchanged the requirement that the FDIC Board set a designated reserve ratio annually. The Board sets the reserve ratio according to risk of loss to the DIF, economic conditions affecting the banking industry, preventing sharp swings in the assessment rates, and any other factors it deems important. The decision to set the designated reserve ratio at 2 percent was based on a historical analysis of losses to the DIF. The analysis showed that in order to maintain a positive fund balance and steady, predictable assessment rates, the reserve ratio should be at least 2 percent as a long-term, minimum goal.

The final rule for the reserve ratio is part of a comprehensive fund management plan proposed by the Board in October 2010. The plan is intended to provide insured institutions with moderate, steady assessment rates throughout economic cycles, and to maintain a positive fund balance even during severe economic times. The Board acted on other aspects of the comprehensive plan—assessments, dividends, assessment base, and large bank pricing—during the first quarter of 2011.

Importantly, with respect to the largest institutions and any potential negative impact of their failure on the fund, Title II of the Dodd-Frank Act helps to 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 nonbank financial companies as a companion to the FDIC's existing authority to resolve insured depository institutions. As noted earlier, the FDIC's new Office of Complex Financial Institutions will play a key role in overseeing these new functions.

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. The FDIC is the primary federal regulator for approximately 4,700 FDIC-insured, state-chartered institutions that are not members of the Federal Reserve System—often referred to as "state non-member" institutions. The OCC, OTS, and Federal Reserve supervise other banks and thrifts, depending on the institution's charter. (Note that the institutions under the OTS's purview will be transferred to the other regulators when the OTS is abolished pursuant to the Dodd-Frank Act, as referenced previously.) As insurer, the Corporation also has backup examination authority to protect the interests of the DIF for about 2,800 national banks, state-chartered banks that are members of the Federal Reserve System, and savings associations.

In the current environment, efforts to continue to ensure safety and soundness and to carry out the examination function will be challenging in a number of ways. Of particular importance for 2011 is that the Corporation needs to continue to assess the implications of the recent financial and economic crisis and to integrate lessons learned and any needed changes to the examination program into the supervisory process. At the same time, it needs to continue to conduct scheduled examinations to ensure the safety and soundness of the thousands of institutions that it regulates.

The Corporation has developed a comprehensive "forward-looking supervision" training program and will need to continue to put that training into practice going forward. This approach involves carefully assessing the institution's overall risks, and basing ratings not on current financial condition alone, but rather on consideration of possible future risks. These risks should be identified by rigorous and effective on-site and off-site review mechanisms and accurate metrics that identify risks embedded in the balance sheets and operations of the insured depository institutions so that steps can be taken to mitigate their impact on the institutions.

In all cases, examiners need to continue to bring any identified problems to the bank's board and management's attention, assign appropriate ratings, and make actionable recommendations to address areas of concern. Subsequently, the FDIC's corrective action and follow-up processes must be effective to ensure that institutions are acting on recommendations and promptly complying with any supervisory enforcement actions—informal or formal—resulting from the FDIC's risk-management examination process. In some cases, to maintain the integrity of the banking system, the Corporation will also need to aggressively pursue prompt actions against bank boards of directors or senior officers who may have contributed to an institution's failure.

The rapid changes in the banking industry, increase in electronic and online banking, growing sophistication of fraud schemes, and the mere complexity of financial transactions and financial instruments all create potential risks at FDIC-insured institutions and their service providers. These risks can negatively impact the FDIC and the integrity of the U.S. financial system and contribute to institution failures if existing checks and balances falter or are intentionally bypassed. The FDIC must seek to minimize the extent to which the institutions it supervises are involved in or victims of financial crimes and other abuses. It needs to continue to focus on Bank Secrecy Act examinations to prevent banks and other financial service providers from being used as intermediaries for, or to hide the transfer or deposit of money derived from, criminal activity. FDIC examiners need to be alert to the possibility of other fraudulent activity in financial institutions and make full use of reports, information, and other resources available to them to help detect such fraud.

With the passage of the Dodd-Frank Act, the coming months will bring significant organizational changes to the FDIC's current supervision program, as well as corresponding challenges. As referenced earlier, the FDIC Board of Directors approved the establishment of the OCFI and DCP. In conjunction with these changes, DSC has been renamed RMS, and its mandate will be focused on supervision rather than consumer protection, the function of which is being transferred to DCP. OCFI has begun operations and will focus on overseeing bank holding companies with more than $100 billion in assets and their corresponding insured depository institutions. OCFI will also be responsible for nonbank financial companies designated as systemically important by the FSOC. OCFI and RMS will coordinate closely on all supervisory activities for state non-member institutions that exceed $100 billion in assets; RMS will be responsible for the overall Large Insured Depository Institution program.

Protecting and Educating Consumers and Ensuring an Effective Compliance Program

The FDIC's efforts to ensure that banks serve their communities and treat consumers fairly continue to be a priority. The FDIC carries out its consumer protection role by educating consumers, providing them 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, unfair or deceptive acts and practices, fair lending, and community investment. The FDIC's compliance program, including examinations, visitations, and follow-up supervisory attention on violations and other program deficiencies, is critical to ensuring that consumers and businesses obtain the benefits and protections afforded them by law. Proactively identifying and assessing potential risks associated with new and existing consumer products will continue to challenge the FDIC. As a further means of remaining responsive to consumers, the FDIC's Consumer Response Center investigates consumer complaints about FDIC-supervised institutions and responds to inquiries from the public about consumer laws and regulations, consumer products, and banking practices.

Going forward, the FDIC will be experiencing and implementing changes related to the Dodd-Frank Act that have direct bearing on consumer protection. The Dodd-Frank Act establishes a new Consumer Financial Protection Bureau within the Federal Reserve and transfers 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. However, even for these large organizations, the FDIC will have backup authority to enforce federal consumer laws and address violations. Under the Dodd-Frank Act, the FDIC will maintain compliance, examination, and enforcement responsibility for over 4,700 insured institutions with $10 billion or less in assets. As previously discussed, during early 2011, the FDIC established DCP, responsible for the Corporation's compliance examination and enforcement program, as well as the depositor protection and consumer and community affairs activities that support that program.

Effectively Managing the FDIC Workforce and Other Corporate Resources

The FDIC must effectively manage and utilize a number of critical strategic resources in order to carry out its mission successfully, particularly its human, financial, information technology, and physical resources. These resources have been stretched over the past year, and the Corporation will continue to face challenges during 2011.

Importantly, and as referenced earlier, in the coming months, as the Corporation responds to Dodd-Frank Act requirements and continues to pursue its long-standing mission in the face of lingering financial and economic turmoil, the resources of the entire FDIC will be challenged. For example, as required by the Dodd-Frank Act, the Corporation established an Office of Minority and Women Inclusion responsible for all agency matters relating to diversity in management, employment, and business activities. The Corporation has transferred its former Office of Diversity and Economic Opportunity staff to this new office. Other new responsibilities, reorganizations, and changes in senior leadership and in the makeup of the FDIC Board will greatly 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, FDIC staffing levels have 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. Thirty-nine percent of the total 9,252 authorized positions for 2011 are temporary positions. Temporary employees have been hired by the FDIC to assist with bank closings, management and sale of failed bank assets, and other activities that are 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 Corporation's contracting level has also grown significantly, especially with respect to resolution and receivership work. Over $1.6 billion was available for contracting for receivership-related services during 2010. To support the increases in FDIC staff and contractor resources, the Board of Directors approved a $3.9 billion Corporate Operating Budget for 2011, down slightly from the 2010 budget the Board approved in December 2009. 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.

Opening new offices, rapidly hiring and training many new employees, expanding contracting activity, and training those with contract oversight responsibilities are all placing heavy demands on the Corporation's personnel and administrative staff and operations. When conditions improve throughout the industry and the economy, a number of employees will need to be released and staffing levels will move closer to a pre-crisis level, which may cause additional disruption to ongoing operations and 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, the Corporation will seek to sustain its emphasis on fostering employee engagement and morale.

From an information technology 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. 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, 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 appointed by the President and confirmed by the Senate, with no more than three being from the same political party. The FDIC has 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 will no longer exist and the Director of OTS will be replaced on the FDIC Board by the Director of the CFPB in mid-2011. The FDIC Chairman has announced her intention to leave the Corporation when her term expires—by the end of June 2011. Given the relatively frequent turnover on the Board, it is essential that strong and sustainable governance and communication processes be in place throughout the FDIC and that Board members possess and share the information needed at all times to understand existing and emerging risks and to make sound policy and management decisions.

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. To further enhance risk monitoring efforts, the Corporation established six Program Management Offices to address risks associated with such activities as loss-share agreements, contracting oversight for new programs and resolution activities, the systemic resolution authority program, and human resource management concerns. Lessons from these areas need to be integrated into corporate thinking and decision-making. Additionally, the FDIC Chairman charged members of her senior staff with planning for and presenting a case to the Board for the establishment of a Chief Risk Officer at the FDIC to better ensure that risks to the Corporation are identified and mitigated to the fullest extent. In 2011, the Chairman announced creation of a new Office of Corporate Risk Management to be led by a Chief Risk Officer. The addition of such a function is another important organizational change that will require carefully thought-out and effective implementation in order to be successful.

2010

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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