V.

FINANCIAL SECTION

Federal Deposit Insurance Corporation

Deposit Insurance Fund Balance Sheet

As of December 31

(Dollars in Thousands)		2023		2022
ASSETS				
Cash and cash equivalents	$	4,872,657	$	2,599,206
Investment in U.S. Treasury securities *(Amortized Cost of*				
$18,958,454 and $125,427,772) (Note 3)		18,928,885		122,442,357
Assessments receivable (Note 12)		3,235,766		2,159,249
Special assessments receivable (Note 5)		20,423,184		0
Interest receivable on investments and other assets, net		145,780		688,061
Receivables from resolutions, net of allowances of				
$69,361,715 and $40,047,224 (Note 4)		97,778,346		520,555
Property and equipment, net (Note 6)		319,733		360,141
Operating lease right-of-use assets (Note 7)		80,747		92,406
Total Assets	**$**	**145,785,098**	**$**	**128,861,975**
LIABILITIES				
Accounts payable and other liabilities (Note 8)	$	410,515	$	268,216
Operating lease liabilities (Note 7)		101,617		111,205
Liabilities due to resolutions (Note 9)		22,513,085		846
Postretirement benefit liability (Note 16)		255,574		231,781
Contingent liabilities:				
Anticipated failure of insured institutions (Note 10)		725,877		31,233
Litigation losses (Note 10)		450		800
Total Liabilities		**24,007,118**		**644,081**
Off-balance-sheet exposure (Note 17)				
FUND BALANCE				
Accumulated Net Income		121,797,208		131,176,093
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Unrealized (loss) on U.S. Treasury securities, net (Note 3)		(29,569)		(2,985,415)
Unrealized postretirement benefit gain (Note 16)		10,341		27,216
Total Accumulated Other Comprehensive (Loss)		**(19,228)**		**(2,958,199)**
Total Fund Balance		**121,777,980**		**128,217,894**
Total Liabilities and Fund Balance	**$**	**145,785,098**	**$**	**128,861,975**

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

Federal Deposit Insurance Corporation

Deposit Insurance Fund Statement of Income and Fund Balance

For the Years Ended December 31

(Dollars in Thousands)	2023	2022
REVENUE		
Assessments (Note 12)	$ 33,188,017	$ 8,310,816
Interest on U.S. Treasury securities	2,735,999	1,246,302
Return of unclaimed insured deposits (Note 13)	16,714	37,913
Other revenue	55,057	11,635
Total Revenue	**35,995,787**	**9,606,666**
EXPENSES AND LOSSES		
Operating expenses (Note 14)	2,125,978	1,882,884
Provision for insurance losses (Note 15)	40,950,768	(82,964)
Realized loss on sale of investments, net (Note 3)	2,291,859	0
Insurance and other expenses	6,067	3,531
Total Expenses and Losses	**45,374,672**	**1,803,451**
Net (Loss) Income	**(9,378,885)**	**7,803,215**
OTHER COMPREHENSIVE INCOME		
Unrealized gain (loss) on U.S. Treasury securities, net	2,955,846	(2,836,300)
Unrealized postretirement benefit (loss) gain (Note 16)	(16,875)	109,939
Total Other Comprehensive Gain (Loss)	**2,938,971**	**(2,726,361)**
Comprehensive (Loss) Income	**(6,439,914)**	**5,076,854**
Fund Balance - Beginning	**128,217,894**	**123,141,040**
Fund Balance - Ending	**$ 121,777,980**	**$ 128,217,894**

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

Federal Deposit Insurance Corporation

Deposit Insurance Fund Statement of Cash Flows

For the Years Ended December 31

(Dollars in Thousands)		2023		2022
OPERATING ACTIVITIES				
Provided by:				
Assessments	$	11,684,277	$	7,862,116
Interest on U.S. Treasury securities		2,719,799		3,127,123
Recoveries from financial institution resolutions		43,143,054		470,381
Return of unclaimed insured deposits		17,583		37,913
Miscellaneous receipts		5,437		1,833
Used by:				
Operating expenses		(2,086,522)		(1,806,647)
Disbursements for financial institution resolutions		(157,962,304)		(3,568)
Miscellaneous disbursements		(5,847)		(802)
Net Cash (Used) Provided by Operating Activities		**(102,484,523)**		**9,688,349**
INVESTING ACTIVITIES				
Provided by:				
Maturity of U.S. Treasury securities		37,625,000		48,400,000
Sale of U.S. Treasury securities		79,819,109		0
Used by:				
Purchase of U.S. Treasury securities		(12,671,211)		(60,978,672)
Purchase of property and equipment		(14,924)		(73,412)
Net Cash Provided (Used) by Investing Activities		**104,757,974**		**(12,652,084)**
Net Increase (Decrease) in Cash and Cash Equivalents		**2,273,451**		**(2,963,735)**
Cash and Cash Equivalents - Beginning		**2,599,206**		**5,562,941**
Cash and Cash Equivalents - Ending	**$**	**4,872,657**	**$**	**2,599,206**

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

DEPOSIT INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023 and 2022

1. Operations of the Deposit Insurance Fund

OVERVIEW

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

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

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the FDIC also manages the Orderly Liquidation Fund (OLF). Established as a separate fund in the U.S. Treasury (Treasury), the OLF is inactive and unfunded until the FDIC is appointed as receiver for a covered financial company. A covered financial company is a failing financial company (for example, a bank holding company or nonbank financial company) for which a systemic risk determination has been made as set forth in section 203 of the Dodd-Frank Act. This systemic risk determination is distinct from the systemic risk determination discussed in Note 5.

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

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

OPERATIONS OF THE DIF

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

The DIF is primarily funded from deposit insurance assessments and interest earned on investments in U.S. Treasury securities. Other available funding sources, if necessary, are borrowings from the Treasury, the Federal Financing Bank (FFB), Federal Home Loan Banks, and IDIs. The FDIC has borrowing authority of $100 billion from the Treasury and a Note Purchase Agreement (Agreement) with the FFB to enhance the DIF's ability to fund deposit insurance. Under the FFB Agreement, the maximum principal amount of any Note that is offered for purchase by the FDIC to the FFB shall not cause the FDIC to exceed the Maximum Obligation Limitation (MOL).

The MOL is a statutory formula that 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 $210.0 billion and $227.5 billion as of December 31, 2023 and 2022, respectively.

DEPOSIT INSURANCE FUND

OPERATIONS OF RESOLUTION ENTITIES

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

2. Summary of Significant Accounting Policies

GENERAL

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

USE OF ESTIMATES

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

CASH EQUIVALENTS

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

INVESTMENT IN U.S. TREASURY SECURITIES

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

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

REVENUE RECOGNITION FOR ASSESSMENTS

Assessment revenue is recognized for the quarterly period of insurance coverage based on an estimate. The estimate is derived from an institution's regular risk-based assessment rate and assessment base for the prior quarter adjusted for certain changes in supervisory examination ratings for larger institutions, modest assessment base growth and average assessment rate adjustment factors. At the subsequent quarter-end, the estimated revenue amounts are adjusted when actual assessments for the covered period are determined for each institution (see Note 12).

CAPITAL ASSETS AND DEPRECIATION

The FDIC buildings are depreciated on a straight-line basis over a 35- to 50-year estimated life. Building improvements are capitalized and depreciated over the estimated useful life of the improvements. Leasehold improvements are capitalized and depreciated over the lesser of the remaining life of the lease or the estimated useful life of the improvements, if determined to be material. Capital assets depreciated on a straight-line basis over a five-year estimated useful life include mainframe equipment; furniture, fixtures, and general equipment; and internal-use software. Computer equipment is depreciated on a straight-line basis over a three-year estimated useful life (see Note 6).

LEASES

The Balance Sheet presents operating leases in the "Operating lease right-of-use assets" and "Operating lease liabilities" line items. Operating lease liabilities and right-of-

use (ROU) assets are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The FDIC has elected to use its risk-free rate at the commencement date in determining the present value of future payments for all classes of underlying assets, unless the rate implicit in the lease is readily determinable.

The operating lease ROU asset also includes lease prepayments and excludes lease incentives received. The lease term includes options to extend or terminate the lease when it is reasonably certain that the FDIC will exercise that option. For the DIF, the FDIC recognizes lease expense on a straight-line basis over the lease term. For lease arrangements that contain both lease and nonlease components, the FDIC has elected to account for them as a single lease component for all classes of underlying assets (see Note 7).

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses on receivables from resolutions includes management's estimate of all expected credit losses based on past events, current conditions, and reasonable and supportable forecasts about the future, as applicable (see Note 4).

PROVISION FOR INSURANCE LOSSES

The provision for insurance losses primarily represents changes in the allowance for credit losses on receivables from resolutions and the contingent liability for anticipated failure of insured institutions (see Note 15).

REPORTING ON VARIABLE INTEREST ENTITIES

The FDIC conducts a qualitative assessment of its relationship with variable interest entities (VIEs) as required by the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 810, *Consolidation*. This assessment is conducted to determine if the FDIC, in its corporate capacity, has (1) the power to direct the activities that most significantly affect the economic performance of the VIE and (2) an obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. When a variable interest holder has met both of these tests, the enterprise is considered the primary beneficiary and must consolidate the VIE.

In accordance with the provisions of FASB ASC Topic 810, an assessment of the terms of the legal agreement for the VIE is conducted to determine whether any of the terms had been activated or modified in a manner that would cause the FDIC, in its corporate capacity, to be characterized as a primary beneficiary. In making that determination, management considers which, if any, activities were significant to the VIE.

In 2023, the receivership related to the failure of First Republic Bank engaged in a structured transaction, which resulted in the issuance of a note obligation that the FDIC guaranteed, in its corporate capacity. As the guarantor of this note obligation for the structured transaction, the FDIC, in its corporate capacity, holds an interest in a VIE. It was determined that the structured transaction did not include significant activities and that the design of the entity was the best indicator of which party was the primary beneficiary. As such, the conclusion of the qualitative assessment of the FDIC's relationship with the VIE as required by ASC Topic 810 is that the FDIC, in its corporate capacity, has not engaged in any activity that would cause the FDIC to be characterized as a primary beneficiary to the VIE with which it was involved as of December 31, 2023. Therefore, consolidation is not required for the December 31, 2023 DIF financial statements. Note 8, under FDIC Guaranteed Debt of a Structured Transaction, fully describes the FDIC's involvement with the VIE.

RELATED PARTIES

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

APPLICATION OF RECENT ACCOUNTING STANDARDS

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The guidance replaces the incurred loss impairment model with a new expected credit loss model for financial assets measured at amortized cost and for off-balance-sheet credit exposures. The guidance also amends the AFS debt securities impairment model by requiring the use of an allowance to record estimated credit losses (and subsequent recoveries) related to AFS debt securities when their fair value is less than their amortized cost basis due to credit losses.

Topic 326 was effective for the DIF on January 1, 2023 and did not have a material impact on the DIF. However, presentation changes were required to the "Investment in U.S. Treasury securities" and "Receivables from resolutions, net" line items on the Balance Sheet.

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

DEPOSIT INSURANCE FUND

RECLASSIFICATION

In 2023, the FDIC reclassified amounts out of "Accounts payable and other liabilities" into a new line item "Liabilities due to resolutions" on the Balance Sheet due to materiality. For comparative purposes, the FDIC conformed 2022 to the new presentation.

3. Investment in U.S. Treasury Securities

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

December 31, 2023 Maturity	Yield at Purchase	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
U.S. Treasury notes and bonds						
Within 1 year	4.66%	$ 19,100,000	$ 18,958,454	$ 8,541	$ (38,110)	$ 18,928,885
Total		**$ 19,100,000**	**$ 18,958,454**	**$ 8,541**	**$ (38,110)** [a]	**$ 18,928,885**

(a) These unrealized losses occurred as a result of changes in market interest rates. The FDIC does not intend to sell the securities and is not likely to be required to sell them before recovery of their amortized cost basis. However, the $38 million reported as total unrealized losses occurred over a period of 12 months or longer, with an aggregate related fair value of $5.5 billion applied to the affected securities. The aggregate related fair value of all securities with unrealized losses was $5.5 billion as of December 31, 2023.

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

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

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

In 2023, the FDIC sold securities designated as AFS for total proceeds of $79.8 billion. The gross realized gains and losses on these sales were $135 million and $2.4 billion, respectively, which resulted in a total net loss of $2.3 billion. The cost of the sold securities was determined based on specific identification. The net loss was recognized in the "Realized loss on sale of investments, net" line item on the Statement of Income and Fund Balance. The FDIC reclassified the $2.3 billion out of accumulated other comprehensive income to the "Realized loss on sale of investments, net" line item, representing net unrealized losses recorded as of December 31, 2022 ($2.2 billion) and net holding losses arising during the current period ($76 million). The reclassification of net losses had no net effect on the 2023 comprehensive loss on the DIF Statement of Income and Fund Balance.

4. Receivables from Resolutions, Net

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

As of December 31, 2023, the FDIC, as receiver, managed 74 active receiverships, including 7 receiverships established in 2023. The resolution entities held assets with a total book value of $115.2 billion as of December 31, 2023 and $943 million as of December 31, 2022. Of these assets, cash, investments, and other receivables total $30.6 billion and $909 million, respectively. Other assets held by resolution entities are assets in liquidation of $84.6 billion as of December 31, 2023 and $34 million as of December 31, 2022.

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

For failed institutions resolved using a purchase and assumption transaction with an accompanying SLA, the projected future shared-loss payments and the end of agreement true-up recoveries on the covered residential and commercial loan assets sold to the acquiring institution under the agreement are considered in determining the allowance for credit losses on the receivables from these resolutions. True-up recoveries are projected to be received at expiration in accordance with the terms of the SLA. The shared-loss cost projections are based on the covered assets' intrinsic value, which is determined using financial models that consider the quality, condition and type of covered assets, current and future market conditions, risk factors and estimated asset holding periods. The shared-loss cost projections were primarily based on third-party valuations estimating the cumulative loss of covered assets.

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

PURCHASE AND ASSUMPTION TRANSACTIONS WITH SHARED-LOSS AGREEMENTS

During 2023, the FDIC resolved three failures using purchase and assumption resolution transactions with accompanying SLAs on total assets of $229.3 billion purchased by financial institution acquirers. The acquirers assumed all of the deposits and purchased most of the assets of the failed institutions. The majority of the commercial and residential loan assets were purchased under an SLA, where the FDIC agrees to share in future losses and recoveries experienced by the acquirer on those assets covered under the agreement. SLAs are used by the FDIC to keep assets in the private sector and to minimize disruptions to loan customers.

Losses on the covered assets are shared between the acquirer of the failed institution and the FDIC, in its receivership capacity, of the failed institution when losses occur through the sale, foreclosure, loan modification, or write-down of loans in accordance with the terms of the SLA. The agreements cover a seven- to eight-year period with the receiver covering 50 to 95 percent of the losses incurred by the acquiring bank. As mentioned above, the estimated shared-loss liability is accounted for by the receiver and is included in the calculation of the DIF's allowance for credit losses against the corporate receivable from the resolution. As shared-loss claims are asserted and proven, receiverships satisfy these shared-loss payments using available liquidation funds and/or by drawing on amounts due from the DIF for funding the deposits assumed by the acquirer (see Note 9).

As of December 31, 2023, no shared-loss payments have been made. In addition, the receiverships are estimated to pay $2.4 billion over the duration of these SLAs.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the DIF to concentrations of credit risk are receivables from resolutions. The repayment of these receivables is primarily influenced by recoveries on assets held by receiverships and payments on covered assets under SLAs. The majority of the remaining assets in liquidation ($84.6 billion) and current shared-loss covered assets ($229.3 billion), which together total $314 billion, are primarily concentrated in commercial loans ($122.7 billion), residential loans ($106.8 billion), structured transaction-related assets ($66.7 billion), and securities ($12.9 billion).

DEPOSIT INSURANCE FUND

5. Special Assessments Receivable

In accordance with Section 13(c)(4)(G) of the FDI Act, on March 12, 2023, the Secretary of the Treasury, acting on the recommendation of the FDIC Board of Directors and the Board of Governors of the Federal Reserve System and after consultation with the President of the United States, invoked the statutory systemic risk exception to allow the FDIC to complete its resolution of both Silicon Valley Bank, Santa Clara, CA, and Signature Bank, New York, NY, in a manner that protected uninsured depositors. Section 13(c)(4)(G) of the FDI Act also provides the FDIC with discretion in the design of a time period for any special assessments to recover the losses to the DIF as a result of the systemic risk determination. Accordingly, in November 2023, the FDIC Board issued a final rule to impose a special assessment on applicable IDIs to recover the loss to the DIF arising from the protection of uninsured depositors in connection with the systemic risk determination.

The assessment base for the special assessments will be equal to an IDI's estimated uninsured deposits, reported as of December 31, 2022, adjusted to exclude the first $5 billion in estimated uninsured deposits from the IDI, or for IDIs that are part of a holding company with one or more subsidiary IDIs, at the banking organization level. This special assessment will be collected at an annual rate of approximately 13.4 basis points, over eight quarterly assessment periods beginning with the first quarterly assessment period of 2024.

As of December 31, 2023, the DIF recorded a receivable of $20.4 billion, representing the estimated loss arising from the full coverage of uninsured deposits. No allowance for credit losses is recognized for the special assessments receivable because historical credit loss information, adjusted for current conditions and reasonable and supportable forecasts, results in an expectation that the receivable will be paid. In addition, the DIF recognized assessment revenue of $20.4 billion that fully offset the estimated losses arising from the full coverage of uninsured deposits; therefore, there was no impact to the Fund Balance of the DIF. Because the estimated loss pursuant to the systemic risk determination will be periodically adjusted, the FDIC retains the ability to:

- cease collection early,
- extend the special assessment collection period one or more quarters beyond the initial eight-quarter collection period to collect the difference between actual or estimated losses and the amounts collected, and
- impose a final shortfall special assessment on a one-time basis after the receiverships for Silicon Valley Bank and Signature Bank terminate.

6. Property and Equipment, Net

Depreciation expense was $35 million and $39 million for 2023 and 2022, respectively. The "Property and equipment, net" line item on the Balance Sheet consisted of the following components (dollars in thousands).

	December 31 2023	December 31 2022
Land	$ 37,352	$ 37,352
Buildings (including building and leasehold improvements)	384,381	385,151
Application software (includes work-in-process)	84,679	111,172
Furniture, fixtures, & equipment	34,263	33,108
Accumulated depreciation	(220,942)	(206,642)
Total	**$ 319,733**	**$ 360,141**

7. Leases

The FDIC has operating leases for office space, a data center, and certain equipment. The lease agreements generally contain escalation clauses resulting in upward adjustments in lease payments, usually on an annual basis. Many leases contain one or more options to extend, with renewal terms that can extend the lease term from one to five years, and some leases may include options to terminate. The following table provides relevant information regarding FDIC operating leases for the years ended December 31, 2023 and 2022 (dollars in thousands).

	December 31 2023	December 31 2022
Operating lease cost	$ 37,874	$ 39,782
Cash paid for amounts included in the measurement of operating leases	$ 37,945	36,099
ROU assets obtained in exchange for new operating lease liabilities	$ 23,612	40,046
Weighted Average		
Remaining lease term (in years)	4.38	5.15
Discount rate	2.57%	2.05%

The following table provides a maturity analysis of the FDIC's operating lease liabilities as of December 31, 2023 (dollars in thousands).

	December 31 2023
2024	$ 34,379
2025	25,653
2026	11,932
2027	10,161
2028	7,238
2029/Thereafter	20,669
Total future minimum lease payments	**$ 110,032**
Less: Imputed interest	(8,415)
Total operating lease liabilities	**$ 101,617**

As of December 31, 2023, the FDIC has additional operating leases with future payments totaling $2 million for office space, which commence after December 31, 2023, and are not included in the amounts presented above.

8. Other Liabilities

FDIC GUARANTEED DEBT OF A STRUCTURED TRANSACTION

In 2023, the FDIC, as receiver, used a structured transaction (a Securitization and, hereafter, trust) to sell a $50 billion Purchase Money Note (PMN) issued by JP Morgan Chase Bank, N.A. (JP Morgan), which is supported by a pool of mortgage loans (underlying collateral) acquired by JP Morgan through the related receivership and sale of First Republic Bank to JP Morgan. This resulted in the issuance of a single note (Note) issued by the trust and sold to the FFB. This transaction with FFB is not associated with the FFB Agreement that is described in Note 1. In exchange for a fee, the FDIC, in its corporate capacity, guarantees the timely payment of the principal and interest due on the Note, with the guarantee expected to terminate in 2028 when the Note matures. If the FDIC is required to perform under its guarantee, it acquires an interest in the cash flows of the trust equal to the amount of guarantee payments made plus accrued interest. Moreover, the trust has established an interest reserve (reserve account) to pay any interest shortfalls (the difference between the coupon rate collected on the PMN and the anticipated coupon rate on the Note) and the Note may be paid prior to maturity.

In exchange for its guarantee, the FDIC, in its corporate capacity, received a $125 million fee which is recorded as deferred revenue included in the "Accounts payable and other liabilities" line item and recognized as revenue on a straight-line basis over the term of the Note. As of December 31, 2023, the amount of deferred revenue recorded was $117 million.

As of December 31, 2023, the maximum loss exposure is the total outstanding Note of $50 billion. The FDIC's exposure as guarantor is protected by (1) JP Morgan's strength as a counterparty and commitment under the PMN, (2) over-collateralization of the PMN's underlying collateral, (3) the funded reserve account to cover interest shortfalls, and (4) an option to prepay the Note at par prior to maturity. As such, the FDIC considers the likelihood of having to fund the Note as remote and has estimated no credit losses over the life of the guarantee; therefore, no liability is required to be recorded.

Except as discussed above, the DIF recorded no other structured transaction-related assets or liabilities on its balance sheet. To date, the FDIC, in its corporate capacity, has not provided, and does not intend to provide, any form of financial or other type of support for the structured transaction that it was not previously contractually required to provide.

9. Liabilities Due to Resolutions

As of December 31, 2023 and 2022, the DIF recorded liabilities totaling $20.2 billion and $85 thousand, respectively, to resolution entities representing the agreed-upon value of assets transferred from the receiverships, at the time of failure, to the acquiring institutions for use in funding the deposits assumed by the acquiring institutions. The DIF satisfies these liabilities by sending cash directly to a receivership to pay claims, liabilities, and other expenses of the receiverships or by offsetting receivables from resolutions when a receivership declares a dividend.

In addition, there were $2.3 billion and $761 thousand in unpaid deposit claims related to multiple receiverships as of December 31, 2023 and 2022, respectively. The DIF pays these liabilities when the claims are proven.

10. Contingent Liabilities

ANTICIPATED FAILURE OF INSURED INSTITUTIONS

The DIF records a contingent liability and a loss provision for DIF-insured institutions that are likely to fail when the liability is probable and reasonably estimable, absent some favorable

DEPOSIT INSURANCE FUND

event such as obtaining additional capital or merging. The contingent liability is derived by applying expected failure rates and loss rates to the institutions based on supervisory ratings, balance sheet characteristics, and projected capital levels.

The banking industry remained resilient through the third quarter of 2023 amidst rising interest rates and economic uncertainty. Five financial institutions failed during 2023, with total assets of $532.2 billion, and an estimated loss on insured deposits to the DIF at December 31, 2023 of $20.0 billion. According to the third quarter 2023 financial data submitted by FDIC-insured institutions, the banking industry reported year-to-date net income of $218.6 billion, an increase of 11.7 percent from the same period a year ago. The increase in net income resulted from an increase in net interest income exceeding growth in provision expenses and noninterest expenses.

Provisions for credit losses reported by the banking industry for the first nine months of 2023 were $61.7 billion, versus $30.9 billion reported for the same time period a year ago. This change reflects loan growth as well as new economic uncertainties. Despite these uncertainties, credit quality metrics remained stable. The total noncurrent loan rate was 0.82 percent as of September 30, 2023, up 10 basis points from the same quarter in 2022 but well below the most recent high of 5.47 percent in March 31, 2010.

The rising interest-rate environment has improved bank margins. As of third quarter 2023, the quarterly net interest margin (NIM) rose to 3.30 percent, up 16 basis points from a year ago and up 74 basis points since the Federal Reserve began to increase the federal funds rate in first quarter 2021. Growth in interest income outpaced growth in interest expense, pushing net interest income for the first nine months of 2023 up $67.4 billion (14.8 percent) from the same period a year ago.

Due to the increase in net income and modest decline in risk-weighted assets, risk-based capital ratios improved in the third quarter 2023 from the same quarter in 2022. Total risk-based capital improved 53 basis points to 15.36 percent.

The contingent liability increased to $726 million as of December 31, 2023, compared to $31 million as of December 31, 2022. The increase reflects deterioration in financial conditions at a small number of troubled institutions.

In addition to the recorded contingent liability, the FDIC has identified risks in the financial services industry that could result in additional losses to the DIF, should potentially vulnerable insured institutions ultimately fail. As a result of these risks, the FDIC believes that it is reasonably possible that the DIF could incur additional estimated losses of approximately $4.0 billion as of December 31, 2023, compared to $273 million at December 31, 2022. The actual losses, if any, will largely depend on future economic and market conditions and could differ materially from this estimate.

Elevated inflation and interest rates, along with ongoing geopolitical uncertainties may cause bank profitability, credit quality, and loan growth to weaken. The FDIC continues to evaluate risks to affected institutions in light of existing economic and financial conditions, and the extent to which such risks may put stress on the resources of the insurance fund.

LITIGATION LOSSES

The DIF records an estimated loss for unresolved legal cases to the extent that those losses are considered probable and reasonably estimable. The FDIC recorded probable litigation losses of $450 thousand and $800 thousand for the DIF as of December 31, 2023 and 2022, respectively. In addition, the FDIC has identified no reasonably possible losses from unresolved cases as of December 31, 2023 and 2022.

11. Other Contingencies

PURCHASE AND ASSUMPTION INDEMNIFICATION

In connection with purchase and assumption agreements for resolutions, the FDIC, in its receivership capacity, generally indemnifies the purchaser of a failed institution's assets and liabilities in the event a third party asserts a claim against the purchaser unrelated to the explicit assets purchased or liabilities assumed at the time of failure. The FDIC, in its corporate capacity, is a secondary guarantor if a receivership is unable to pay. These indemnifications generally extend for a term of six years after the date of institution failure. The FDIC is unable to estimate the maximum potential liability for these types of guarantees as the agreements do not specify a maximum amount and any payments are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. During 2023 and 2022, 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.

12. Assessments

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

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

- The FDIC Board of Directors designates a reserve ratio for the DIF and publishes the designated reserve ratio (DRR) before the beginning of each calendar year, as required by the FDI Act. Accordingly, in November 2023, the FDIC published a notice maintaining the DRR at 2 percent for 2024. The DRR is an integral part of the FDIC's comprehensive, long-term management plan for the DIF and is viewed as a long-range, minimum goal for the reserve ratio.
- The FDIC suspended dividends indefinitely, and, in lieu of dividends, prescribes progressively lower assessment rates when the reserve ratio exceeds 2 percent and 2.5 percent.

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

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

ASSESSMENT REVENUE

Annual assessment rates averaged approximately 6.1 cents and 4.0 cents per $100 of the assessment base in 2023 and 2022, respectively. The assessment base is generally defined as average consolidated total assets minus average tangible equity (measured as Tier 1 capital) of an IDI during the assessment period.

The "Assessments receivable" line item on the Balance Sheet of $3.2 billion and $2.2 billion represents the estimated premiums due from IDIs for the fourth quarter of 2023 and 2022, respectively. No allowance for credit losses is recognized for Assessments Receivable because historical credit loss information, adjusted for current conditions and reasonable and supportable forecasts, results in an expectation that the receivable will be paid. The actual deposit insurance assessments for the fourth quarter of 2023 will be billed and collected at the end of the first quarter of 2024. The DIF recognized $33.2 billion and $8.3 billion as assessment revenue from institutions during 2023 and 2022, respectively. The year-over-year increase of $24.9 billion was primarily due to special assessments of $20.4 billion.

PENDING LITIGATION FOR UNDERPAID ASSESSMENTS

On January 9, 2017, the FDIC filed suit in the United States District Court for the District of Columbia (and amended this complaint on April 7, 2017), alleging that Bank of America, N.A. (BoA) underpaid its insurance assessments for multiple quarters based on the underreporting of counterparty exposures. In total, the FDIC alleges that BoA underpaid insurance assessments by $1.12 billion, including interest for the quarters ending March 2012 through December 2014. The FDIC invoiced BoA for $542 million and $583 million representing claims in the initial suit and the amended complaint, respectively. BoA has failed to pay these past due amounts. Pending resolution of this matter, BoA has fully pledged security with a third-party custodian pursuant to a security agreement with the FDIC. As of December 31, 2023, the total amount of unpaid assessments (including accrued interest) was $1.26 billion. For the years ending December 31, 2023 and 2022, the impact of this litigation is not reflected in the financial statements of the DIF.

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RESERVE RATIO
As of September 30, 2023 and December 31, 2022, the DIF reserve ratio was 1.13 percent and 1.25 percent, respectively.

13. Return of Unclaimed Insured Deposits

The Unclaimed Deposits Amendments Act of 1993 (UDAA), Public Law 103-44, amended the FDI Act effective June 28, 1993 (codified as 12 U.S.C. § 1822 (e)). In accordance with the UDAA, the FDIC delivers to the appropriate states insured bank deposits not claimed within 18 months of the date when the FDIC initiates payment of insured deposits as a part of a bank failure, unless the appropriate state declines to accept custody. After receipt, states have custody of the deposits for 10 years, during which time a state treats deposits as unclaimed property. At the end of the 10 years, states are required to transfer any remaining unclaimed deposits to the FDIC and those deposits become the FDIC's property. As of December 31, 2023 and 2022, states have returned $17 million and $38 million, respectively, of unclaimed insured deposits to the FDIC, which the DIF recognized as revenue.

14. Operating Expenses

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

	December 31 2023	December 31 2022
Salaries and benefits	$ 1,488,361	$ 1,343,042
Outside services	306,070	269,741
Travel	53,409	20,528
Buildings and leased space	86,360	75,649
Software/Hardware maintenance	154,511	119,780
Depreciation of property and equipment	35,094	38,858
Other	25,843	22,993
Subtotal	**2,149,648**	**1,890,591**
Less: Expenses billed to resolution entities and others	(23,670)	(7,707)
Total	**$ 2,125,978**	**$ 1,882,884**

15. Provision for Insurance Losses

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

December 31, 2023	Provision for Insurance Losses	Receivables from Resolutions	Allowance for Credit Losses	Contingent Liabilities for: Anticipated Failures	Contingent Liabilities for: Litigation Losses	Liabilities due to Resolutions
Balance at January 1, 2023	**$ 0**	**$ 40,568**	**$ (40,047)**	**$ (31)**	**$ (1)**	**$ (1)**
Estimated losses on insured and uninsured deposits for current year failures	40,370		(40,370)			
Change in contingent liability for anticipated failures, net [1]	695			(695)		
Adjustments to estimated losses for prior year failures	(105)		105			
Disbursements for failures [2]		393,148				(277,988)
Recoveries from resolutions [3]		(257,953)				257,763
Write-offs for inactivated receiverships	(4)	(10,533)	10,537			
Other	(5)	1,910	413		1	(2,287)
Balance at December 31, 2023	**$ 40,951**	**$ 167,140**	**$ (69,362)**	**$ (726)**	**$ 0**	**$ (22,513)**

[1]Represents institutions that were added or removed from the contingent liability, as well as the change in the contingent liability for institutions that remained in the liability year-over-year.
[2]Includes $278 billion of non-cash transactions from receiverships (see Note 9).
[3]Includes $257.8 billion of non-cash dividends from receiverships (see Note 9).

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

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

16. Employee Benefits

PENSION BENEFITS AND SAVINGS PLANS

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

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

	December 31 2023	December 31 2022
Civil Service Retirement System	$ 499	$ 286
Federal Employees Retirement System (Basic Benefit)	173,957	159,473
Federal Thrift Savings Plan	43,978	39,851
FDIC Savings Plan	45,905	40,259
Total	**$ 264,339**	**$ 239,869**

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

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

DEPOSIT INSURANCE FUND

benefit liability is equal to the accumulated postretirement benefit obligation.

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

	December 31 2023	December 31 2022
Accumulated postretirement benefit obligation recognized in *Postretirement benefit liability*	$ 255,574	$ 231,781
Cumulative net actuarial gain recognized in accumulated other comprehensive income: *Unrealized postretirement benefit gain*	$ 10,341	$ 27,216
Amounts recognized in other comprehensive income: *Unrealized postretirement benefit (loss) gain*		
Actuarial (loss) gain	$ (16,875)	$ 109,939
Net periodic benefit costs recognized in *Operating expenses*		
Service cost	$ 3,446	$ 6,208
Interest cost	11,666	8,122
Net amortization out of other comprehensive income	(280)	3,521
Total	**$ 14,832**	**$ 17,851**

The year-over-year increase in the accumulated postretirement benefit obligation (APBO) of $24 million is primarily attributable to net periodic benefit costs of $15 million and a decrease in the discount rate that increased the APBO by $9 million. The discount rate, used to present value expected benefit payments, decreased from 5.27 percent to 5.04 percent at year-end 2023 to reflect changes in the economic environment.

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

	December 31 2023	December 31 2022
Employer contributions	$ 7,913	$ 7,731
Plan participants' contributions	$ 1,229	$ 1,197
Benefits paid	$ (9,142)	$ (8,928)

The expected contributions for the year ending December 31, 2024 are $11 million. Expected future benefit payments for each of the next 10 years are presented in the following table (dollars in thousands).

2024	2025	2026	2027	2028	2029-2033
$10,311	$10,985	$11,649	$12,223	$12,656	$69,408

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

	December 31 2023	December 31 2022
Discount rate for future benefits (benefit obligation)	5.04%	5.27%
Rate of compensation increase	6.95%	7.79%
Discount rate (benefit cost)	5.27%	2.82%
Dental health care cost-trend rate		
Assumed for next year	3.50%	3.50%
Ultimate	3.50%	3.50%
Year rate will reach ultimate	2024	2023

17. Off-Balance-Sheet Exposure

DEPOSIT INSURANCE

Estimates of insured deposits are derived primarily from quarterly financial data submitted by IDIs to the FDIC and represent the accounting loss that would be realized if all IDIs were to fail and the acquired assets provided no recoveries. As of September 30, 2023 and December 31, 2022, estimated insured deposits for the DIF were $10.6 trillion and $10.3 trillion, respectively.

18. Fair Value of Financial Instruments

As of December 31, 2023 and 2022, financial assets recognized and measured at fair value on a recurring basis include cash equivalents (see Note 2) of $4.9 billion and $2.6 billion, respectively, and the investment in U.S. Treasury securities (see Note 3) of $18.9 billion and $122.4 billion, respectively. The valuation is considered a Level 1 measurement in the fair value hierarchy, representing quoted prices in active markets for identical assets. Other financial assets and liabilities, measured at amortized cost, are the receivables from resolutions, assessments receivable, interest receivable on investments, other short-term receivables, and accounts payable and other liabilities.

19. Information Relating to the Statement of Cash Flows

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

	December 31 2023	December 31 2022
Operating Activities		
Net (Loss) Income:	**$ (9,378,885)**	**$ 7,803,215**
Adjustments to reconcile net (loss) income to net cash (used) provided by operating activities:		
Amortization of U.S. Treasury securities	(595,440)	1,851,255
Depreciation on property and equipment	35,095	38,858
Retirement of property and equipment	3,799	1,540
Adjustment for cloud computing assets	16,440	0
Provision for insurance losses	40,950,768	(82,964)
Realized loss on sale of securities, net	2,291,859	0
Unrealized (loss) gain on postretirement benefits	(16,875)	109,939
Change in Assets and Liabilities:		
(Increase) in assessments receivable, net	(1,076,517)	(448,700)
(Increase) in special assessments receivable	(20,423,184)	0
Decrease in interest receivable and other assets	542,816	30,667
(Increase) Decrease in receivables from resolutions	(137,514,801)	458,420
Decrease (Increase) in operating lease right-of-use assets	11,659	(7,168)
Increase in accounts payable and other liabilities	142,299	12,811
(Decrease) Increase in operating lease liabilities	(9,588)	20,248
Increase in liabilities due to resolutions	22,512,239	46
Increase (Decrease) in postretirement benefit liability	23,793	(99,818)
Net Cash (Used) Provided by Operating Activities	**$ (102,484,523)**	**$ 9,688,349**

20. Subsequent Events

Subsequent events have been evaluated through February 15, 2024, the date the financial statements are available to be issued.

FDIC GUARANTEED DEBT OF STRUCTURED TRANSACTIONS

In January 2024, the FDIC, as receiver for Silicon Valley Bridge Bank, N.A. (SVBB), used structured transactions to sell $10.5 billion of Ginnie Mae Project Loan Securities and a $36.1 billion Purchase Money Note (PMN) issued by First-Citizens Bank & Trust Company (FCB). The PMN is supported by a pool of loans acquired by FCB through the receivership and sale of SVBB. The trusts facilitating these structured transactions issued Notes totaling $43.3 billion that were sold to the FFB. Estimated asset recoveries from these structured-transaction assets were used to derive the allowance for credit loss on the DIF's receivable from the SVBB resolution and the related special assessments receivable as of December 31, 2023. These transactions with FFB are not associated with the FFB Agreement that is described in Note 1.

In exchange for fees received in January 2024 of $147 million, the FDIC, in its corporate capacity, guaranteed the timely payment of the principal and interest due on the Notes, with the guarantees expected to terminate in 2033 and 2028 when the Notes mature.

The FDIC's exposure as guarantor is protected by (1) the over-collateralization of the Notes' underlying collateral, (2) the option to prepay or terminate the Notes at par prior to maturity, (3) funded reserve accounts for the PMN to cover interest shortfalls, (4) full recourse obligation of FCB to pay interest and principal on the PMN through maturity, and (5) FCB's capacity to meet its financial obligations. As such, the FDIC considers the likelihood of having to fund the Notes as remote.

DIVIDENDS FROM RECEIVERSHIPS

In January 2024, DIF received approximately $43.5 billion in dividends from the SVBB and Signature Bridge Bank receiverships ($41.5 billion and $2.0 billion, respectively) as repayment of the DIF's receivables from resolutions (see Note 4).

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Balance Sheet

As of December 31

(Dollars in Thousands)	2023	2022
ASSETS		
Cash and cash equivalents	$ 969,142	$ 922,224
Other assets, net	161	161
Total Assets	**$ 969,303**	**$ 922,385**
LIABILITIES		
Accounts payable and other liabilities	$ 11	$ 6
Total Liabilities	**11**	**6**
RESOLUTION EQUITY (NOTE 5)		
Contributed capital	125,469,317	125,469,317
Accumulated deficit	(124,500,025)	(124,546,938)
Total Resolution Equity	**969,292**	**922,379**
Total Liabilities and Resolution Equity	**$ 969,303**	**$ 922,385**

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

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Income and Accumulated Deficit

For the Years Ended December 31

(Dollars in Thousands)	2023	2022
REVENUE		
Interest on U.S. Treasury securities	$ 46,777	$ 14,524
Other revenue	419	352
Total Revenue	**47,196**	**14,876**
EXPENSES AND LOSSES		
Operating expenses	322	250
Losses related to thrift resolutions	(39)	65
Total Expenses and Losses	**283**	**315**
Net Income	**46,913**	**14,561**
Accumulated Deficit - Beginning	**(124,546,938)**	**(124,561,499)**
Accumulated Deficit - Ending	**$ (124,500,025)**	**$ (124,546,938)**

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

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Cash Flows

For the Years Ended December 31

(Dollars in Thousands)	2023	2022
OPERATING ACTIVITIES		
Provided by:		
Interest on U.S. Treasury securities	$ 46,777	$ 14,524
Recoveries from thrift resolutions	472	351
Used by:		
Operating expenses	(331)	(276)
Net Cash Provided by Operating Activities	**46,918**	**14,599**
Net Increase in Cash and Cash Equivalents	**46,918**	**14,599**
Cash and Cash Equivalents - Beginning	**922,224**	**907,625**
Cash and Cash Equivalents - Ending	**$ 969,142**	**$ 922,224**

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

FSLIC RESOLUTION FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023 and 2022

1. Operations/Dissolution of the FSLIC Resolution Fund

OVERVIEW

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

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

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

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

OPERATIONS/DISSOLUTION OF THE FRF

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

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

- criminal restitution orders (generally have from 1 to 16 years remaining to enforce);
- collections of judgments obtained against officers and directors and other professionals responsible for causing or contributing to thrift losses (generally have up to 10 years remaining to enforce, unless the judgments are renewed or are covered by the Federal Debt Collections Procedures Act, which will result in significantly longer periods for collection of some judgments);
- liquidation/disposition of residual assets purchased by the FRF from terminated receiverships; and
- Affordable Housing Disposition Program monitoring (the last agreement expires no later than 2045; see Note 4).

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

On April 1, 2014, the FDIC concluded its role as receiver, on behalf of the FRF, when the last active receivership was

terminated. In total, 850 receiverships were liquidated by the FRF and the RTC. To facilitate receivership terminations, the FRF, in its corporate capacity, acquired the remaining receivership assets that could not be liquidated during the life of the receiverships due to restrictive clauses and other impediments. These assets are included in the "Other assets, net" line item on the Balance Sheet.

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

2. Summary of Significant Accounting Policies

GENERAL

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

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

USE OF ESTIMATES

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

CASH EQUIVALENTS

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

RELATED PARTIES

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

APPLICATION OF RECENT ACCOUNTING STANDARDS

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

3. Goodwill Litigation

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

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

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

4. Affordable Housing Disposition Program

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

FSLIC RESOLUTION FUND

income households. The FDIC, in its capacity as administrator of the FRF-RTC, assumed responsibility for monitoring property owner compliance with land use restriction agreements (LURAs). To enforce the property owners' LURA obligation, the RTC, prior to its dissolution, entered into Memoranda of Understanding with 34 monitoring agencies to oversee these LURAs. As of December 31, 2023, 20 monitoring agencies oversee these LURAs. The FDIC, through the FRF, has agreed to indemnify the monitoring agencies for all losses related to LURA legal enforcement proceedings.

From 2006 through 2018, two lawsuits against property owners resulted in $23 thousand in legal expenses, which were fully reimbursed due to successful litigation. In 2019, new litigation against two property owners has thus far resulted in legal expenses of $46 thousand. In 2022, one of the litigation cases was settled and the FDIC was reimbursed $7 thousand. The maximum potential exposure to the FRF cannot be estimated as it is contingent upon future legal proceedings. However, loss mitigation factors include:
(1) the indemnification may become void if the FDIC is not immediately informed upon receiving notice of any legal proceedings and (2) the FDIC is entitled to reimbursement of any legal expenses incurred for successful litigation against a property owner. AHDP guarantees will continue until the termination of the last LURA, or 2045 (whichever occurs first). As of December 31, 2023 and 2022, no contingent liability for this indemnification has been recorded.

5. Resolution Equity

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

December 31, 2023	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital	$ 43,864,980	$ 81,604,337	$ 125,469,317
Accumulated deficit	(42,921,160)	(81,578,865)	(124,500,025)
Total Resolution Equity	**$ 943,820**	**$ 25,472**	**$ 969,292**

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

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, 2023, the FRF-FSLIC received a total of $2.3 billion in goodwill appropriations, the effect of which increased contributed capital.

Through December 31, 2023, the FRF-RTC had returned $4.6 billion to the U.S. Treasury and made payments of $5.2 billion to the REFCORP. The most recent payment to the REFCORP was in July of 2020 for $20 million. In addition, the FDIC returned $2.6 billion to the U.S. Treasury on behalf of the FRF-FSLIC in 2013. These actions reduced contributed capital.

ACCUMULATED DEFICIT

The accumulated deficit represents the cumulative excess of expenses and losses over revenue for activity related to the FRF-FSLIC and the FRF-RTC. Approximately $29.8 billion and $87.9 billion were brought forward from the former FSLIC and the former RTC on August 9, 1989, and January 1, 1996, respectively. Since the dissolution dates, the FRF-FSLIC accumulated deficit increased by $13.1 billion, whereas the FRF-RTC accumulated deficit decreased by $6.3 billion.

6. Fair Value of Financial Instruments

At December 31, 2023 and 2022, the FRF's financial assets measured at fair value on a recurring basis are cash equivalents (see Note 2) of $944 million and $897 million, respectively. Cash equivalents are Special U.S. Treasury Certificates with overnight maturities valued at prevailing interest rates established by the U.S. Treasury's Bureau of the Fiscal Service. The valuation is considered a Level 1 measurement in the fair value hierarchy, representing quoted prices in active markets for identical assets.

7. Information Relating to the Statement of Cash Flows

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

	December 31 2023	December 31 2022
Operating Activities		
Net Income:	$ 46,913	$ 14,561
Change in Assets and Liabilities:		
Decrease in other assets, net	0	40
Increase (Decrease) in accounts payable and other liabilities	5	(2)
Net Cash Provided by Operating Activities	**$ 46,918**	**$ 14,599**

8. Subsequent Events

Subsequent events have been evaluated through February 15, 2024, the date the financial statements are available to be issued. Based on management's evaluation, there were no subsequent events requiring disclosure.

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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

Independent Auditor's Report

To the Board of Directors of the Federal Deposit Insurance Corporation

In our audits of the 2023 and 2022 financial statements of the Deposit Insurance Fund (DIF) and of the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF), both of which the Federal Deposit Insurance Corporation (FDIC) administers,[1] we found

- the financial statements of the DIF and of the FRF as of and for the years ended December 31, 2023, and 2022, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2023; and
- with respect to the DIF and to the FRF, no reportable noncompliance for 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

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

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

Opinions on the Financial Statements

In accordance with Section 17 of the Federal Deposit Insurance Act, as amended,[3] and the Government Corporation Control Act,[4] we have audited the financial statements of the DIF and of the FRF, both of which FDIC administers. The financial statements of the DIF comprise the balance sheets as of December 31, 2023, and 2022; the related statements of income and fund balance and of cash flows for the years then ended; and the related notes to the financial statements. The financial statements of the FRF comprise the balance sheets as of December 31, 2023, and 2022; the related statements of income and accumulated deficit and of cash flows for the years then ended; and the related notes to the financial statements. In our opinion,

[1]A third fund managed by FDIC, the Orderly Liquidation Fund, established by Section 210(n) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376, 1506 (2010), is unfunded and did not have any transactions from its inception in 2010 through 2023.

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

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

[4]31 U.S.C. §§ 9101-9110.

- the DIF's financial statements present fairly, in all material respects, the DIF's financial position as of December 31, 2023, and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles, and

- the FRF's financial statements present fairly, in all material respects, the FRF's financial position as of December 31, 2023, and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Opinions on Internal Control over Financial Reporting

We also have audited FDIC's internal control over financial reporting relevant to the DIF and to the FRF as of December 31, 2023, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In our opinion,

- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the DIF as of December 31, 2023, based on criteria established under FMFIA, and
- FDIC maintained, in all material respects, effective internal control over financial reporting relevant to the FRF as of December 31, 2023, based on criteria established under FMFIA.

FDIC made progress during 2023 in addressing a significant deficiency[5] that we reported in our prior year audits.[6] Specifically, FDIC sufficiently addressed the deficiencies in contract documentation and payment review process controls such that we no longer consider the remaining control deficiencies in this area, individually or collectively, to represent a significant deficiency as of December 31, 2023.

During our 2023 audit, we identified other deficiencies in FDIC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant FDIC management's attention. We have communicated these matters to FDIC management and, where appropriate, will report on them separately.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting section of our report. We are required to be independent of FDIC and to meet our

---

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

[6]GAO, *Financial Audit: Federal Deposit Insurance Corporation Funds' 2022 and 2021 Financial Statements*, GAO-23-105570 (Washington, D.C.: Feb. 16, 2023).

other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

FDIC management is responsible for

- the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in FDIC's annual report, and ensuring the consistency of that information with the audited financial statements;
- designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and
- its assessment about the effectiveness of internal control over financial reporting as of December 31, 2023, included in the accompanying Management's Report on Internal Control over Financial Reporting in appendix I.

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

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

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether effective internal control over financial reporting was maintained in all material respects, and (2) issue an auditor's report that includes our opinions.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances.

- Obtain an understanding of internal control relevant to our audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered FDIC's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.

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

- Perform other procedures we consider necessary in the circumstances.

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

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Information

FDIC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements. The other information comprises the following sections of FDIC's 2023 agency financial report: Mission, Vision, and Values; Message from the Chairman; Message from the Chief Financial Officer; Management's Discussion and Analysis; Performance Results Summary; Financial Highlights; Budget and Spending; Risk Management and Internal Controls; and Appendices. Management is responsible for the other information included in FDIC's annual report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the DIF's and the FRF's financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for 2023 that would be reportable, with respect to the DIF and to the FRF, under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

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

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

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

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

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

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

Agency Comments

In commenting on a draft of this report, FDIC stated that it was pleased to receive unmodified opinions for the 32nd consecutive year on the DIF's and the FRF's financial statements, and noted that we reported that FDIC had effective internal control over financial reporting and that there was no reportable noncompliance with tested provisions of applicable laws, regulations, contracts, and grant agreements. FDIC also stated that it was pleased to report that it effectively remediated a significant deficiency in internal control over contract documentation and contract payment review processes. FDIC stated that while its controls have improved, FDIC reiterated its commitment to sound financial management and will continue to look for opportunities to improve. The complete text of FDIC's response is reprinted in appendix II.

M. Hannah Padilla
Director
Financial Management and Assurance

February 15, 2024

APPENDIX I

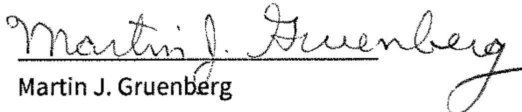
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990 Office of the Chairman

Management's Report on Internal Control over Financial Reporting

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

FDIC management is responsible for establishing and maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. FDIC management evaluated the effectiveness of the FDIC's internal control over financial reporting relevant to the DIF and the FRF as of December 31, 2023, based on the criteria established under 31 U.S.C. 3512(c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)). FDIC management performed this evaluation through its corporate risk management program that seeks to comply with the spirit of the following laws, standards, and guidance from the Office of Management and Budget (OMB) among others: FMFIA; Chief Financial Officers Act (CFO Act); Government Performance and Results Act (GPRA); Federal Information Security Modernization Act (FISMA); and OMB Circular A-123. In addition, other standards that the FDIC considers are the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control – Integrated Framework* and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*.

Based on the above evaluation, management concludes that, as of December 31, 2023, FDIC's internal control over financial reporting relevant to the DIF and the FRF was effective.



Martin J. Gruenberg
Chairman

BRET EDWARDS Digitally signed by BRET EDWARDS

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

February 15, 2024

APPENDIX II

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

February 15, 2024

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

Re: FDIC Management Response to the 2023 and 2022 Financial Statements Audit Report

Dear Ms. Padilla:

Thank you for the opportunity to review and comment on the U.S. Government Accountability Office's (GAO's) draft report titled, Financial Audit: Federal Deposit Insurance Corporation Funds' 2023 and 2022 Financial Statements, GAO-24-106490. We are pleased that the Federal Deposit Insurance Corporation (FDIC) has received unmodified opinions for the thirty-second consecutive year on the financial statements of its funds: the Deposit Insurance Fund (DIF) and the FSLIC Resolution Fund (FRF). GAO also reported the FDIC maintained, in all material respects, effective internal control over financial reporting, and that there was no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements that were tested.

The FDIC is pleased to report that we effectively remediated a significant deficiency in internal control over contract documentation and contract payment review processes. In 2023, we created targeted training and procedures for reviewing and approving contractor invoices; implemented oversight to ensure contracting policies and procedures are followed and contract documentation is complete and accurate; established the Division of Administration's quality assurance group, dedicated to quality review processes; and enhanced overall the FDIC's interdivisional monitoring capability. While our controls have improved, I want to reiterate our commitment to sound financial management and we will continue to look for opportunities to improve.

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

We want to thank the GAO staff for their professionalism and dedication during the audit and look forward to the FDIC continuing our positive and productive relationship during the 2024 audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

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