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Report to the Congress

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FINANCIAL AUDIT

Federal Deposit Insurance Corporation's 1992 and 1991 Financial Statements

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United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-253861

June 30, 1993

To the President of the Senate and the
Speaker of the House of Representatives

This report presents our opinions on the financial statements of the Bank Insurance Fund, the Savings Association Insurance Fund, and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund for the years ended December 31, 1992 and 1991. These financial statements are the responsibility of the Federal Deposit Insurance Corporation (FDIC), the administrator for the three funds. For the Bank Insurance Fund and the Savings Association Insurance Fund, the financial statements present fairly, in all material respects, their financial position and their results of operations and cash flows for the years then ended in conformity with generally accepted accounting principles. For the FSLIC Resolution Fund, the financial statements present fairly, in all material respects, its financial position and cash flows for the years then ended, and the results of its operations for the year ended December 31, 1992, in conformity with generally accepted accounting principles. However, because of a scope limitation, we do not express an opinion on the FSLIC Resolution Fund's statement of income and accumulated deficit for the year ended December 31, 1991.

This report also presents our opinion on FDIC's system of internal controls as they relate to the three funds. Our opinion is adverse due to material weaknesses which we believe prevent FDIC's internal controls from providing reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; that transactions are executed in accordance with management's authority; or that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and to maintain accountability for assets. However, we found FDIC's internal controls to be effective in assuring compliance with significant provisions of selected laws and regulations. We found no material instances of noncompliance with the selected provisions of laws and regulations we tested, and nothing came to our attention in the course of our work to indicate that material noncompliance with such provisions occurred. In addition, this report discusses uncertainties affecting failed institution asset recoveries and costs of future resolution activity, as well as improvements in the banking industry that have helped to improve the Bank Insurance Fund's financial condition.

We conducted our audits pursuant to the provisions of section 17(d) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1827(d)), and in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Acting Chairman of the Board of Directors of the Federal Deposit Insurance Corporation; the Chairman of the Board of Governors of the Federal Reserve System; the Comptroller of the Currency; the Acting Director of the Office of Thrift Supervision; the Chairmen and Ranking Minority Members of the Senate Committee on Banking, Housing and Urban Affairs and the House Committee on Banking, Finance and Urban Affairs; the Secretary of the Treasury; the Director of the Office of Management and Budget; and other interested parties.

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

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Abbreviations

BIF	Bank Insurance Fund
CFO	Chief Financial Officers Act
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act
FRF	FSLIC Resolution Fund
FRB	Federal Reserve Board
FSLIC	Federal Savings and Loan Insurance Corporation
OCC	Office of the Comptroller of the Currency
OTS	Office of Thrift Supervision
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund

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June 30, 1993

To the Board of Directors
Federal Deposit Insurance Corporation

We have audited the statements of financial position as of December 31, 1992 and 1991, of the three funds administered by the Federal Deposit Insurance Corporation (FDIC), and the related statements of income and fund balance (accumulated deficit) and statements of cash flows for the years then ended. For these three funds—the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF), and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF)—we found

- the financial statements of the three funds were reliable in all material respects except for FRF's 1991 statement of income and accumulated deficit, on which we are not opining;
- internal controls at December 31, 1992, did not provide reasonable assurance that assets were safeguarded against loss from unauthorized use; that transactions were executed in accordance with management authority; and that transactions were properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets. However, internal controls at December 31, 1992, did provide reasonable assurance that transactions were executed in accordance with significant provisions of selected laws and regulations; and
- no material noncompliance with laws and regulations we tested.

Discussed below are significant matters considered in performing our audits and forming our opinions. This report also outlines each of our conclusions in more detail and discusses the scope of our audits.

Significant Matters

The following information is presented to highlight the condition of the banking and thrift industries, the outlook for the bank and savings association insurance funds, and the reason for our disclaimer on FRF's 1991 statement of income and accumulated deficit.

Banking Industry Improvements Have Improved BIF's Condition

The condition and performance of the nation's commercial and savings banks insured by BIF improved substantially in 1992. Commercial banks posted record earnings of over $32 billion in 1992, and the industry's return on assets increased to 0.96 percent from 0.54 percent at year-end 1991. Similarly, savings banks posted aggregate earnings in 1992 of $1.4 billion, the first time in 4 years that savings banks reported positive earnings. The significant improvement in BIF-insured commercial and savings bank earnings is attributable to favorable interest rates, improved asset quality, and, in the case of savings banks, the resolution of several large troubled institutions. Both commercial and savings banks reported substantially improved capital positions in 1992. Commercial banks' aggregate ratio of equity capital to assets increased to 7.52 percent at year-end 1992 from 6.75 percent reported at year-end 1991. Savings banks reported an aggregate ratio of equity capital to assets of 7.97 percent in 1992, compared to 6.67 percent in 1991. Both commercial and savings banks reported declines in their levels of troubled assets, and reserves as a percentage of troubled loans improved in 1992.

During 1992, 122 commercial and savings banks failed or required regulatory assistance. This number is slightly below the 127 problem commercial and savings banks that failed or required regulatory assistance in 1991, and substantially below the record level of bank failures in 1989. The number and size of BIF-insured banks identified by the regulators as problem institutions declined significantly during 1992. At December 31, 1992, the regulators identified 863 commercial and savings banks, with assets totaling $464.5 billion, as problem institutions. In comparison, at December 31, 1991, 1,090 commercial and savings banks, with assets totaling $609.8 billion, were identified as problem institutions by the regulators.

Improvements in the condition of the banking industry have contributed to the substantial improvement in the condition of the Bank Insurance Fund. The Fund had net income of $6.9 billion in 1992, the first time since 1987 that the Fund reported positive net earnings for the year. As a result, the Fund's deficit declined from $7 billion at December 31, 1991, to about $101 million at December 31, 1992.

The Fund's positive earnings and reduction in its deficit position were attributable to increased assessment income and substantial declines in actual and estimated losses from existing and future bank failures during 1992. As of December 31, 1992, FDIC identified few additional large banks beyond those whose losses had been recognized in the Fund's 1991 financial statements and whose potential costs to the Fund are significant as insolvent or more likely than not to fail or to require assistance in the near future. Additionally, losses have been much lower than originally estimated for a number of the banks that failed in 1992 for which losses were recorded on the Fund's 1991 financial statements. Finally, a number of banks for which FDIC had estimated and recorded losses on the Fund's 1991 financial statements have shown improvement such that, at December 31, 1992, FDIC no longer considered them to be insolvent or more likely than not to fail in the near future.

Despite improvements in the Fund's condition, it was still insolvent as of December 31, 1992, and could remain undercapitalized for a number of years, even if insurance losses continue to decline. BIF would need a positive fund balance of approximately $24 billion for its reserves to equal the 1.25 percent designated ratio of reserves to insured deposits established in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Consequently, BIF remains vulnerable to adverse changes in economic conditions and their effect on the banking industry. It took just 4 years to deplete the Fund's $18.3 billion in reserves. Thus, it is vital that the Fund's reserves be rebuilt to enable it to handle any significant levels of bank failures.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) contains provisions to rebuild BIF and to strengthen accounting, auditing, and regulatory practices to minimize future losses to the Fund. FDIC's implementation of a risk-based premium system on January 1, 1993—one year ahead of the implementation date required by FDICIA for such a system—will result in increased assessment revenues to the Fund to rebuild its reserves and at the same time will provide incentives in the form of lower insurance premiums to insured institutions to strengthen their financial condition and internal controls. Additionally, the prompt corrective actions and strengthened minimum capital standards required by FDICIA, if properly implemented and enforced by the regulators, should help minimize future losses to the Fund.

To ensure that the Fund's reserves are replenished to a sufficient level and to minimize the risk that its reserves are not again depleted by significant bank failures, it is vital that the accounting, auditing, and regulatory reforms in FDICIA be effectively carried out. We are concerned that the very limited implementing regulations recently issued by FDIC and the accounting rules for loan loss reserves recently adopted by the Financial

Accounting Standards Board (FASB)[1] will not facilitate achieving the objectives of the Congress in enacting these reforms.

Thrift Industry Also Reported Improved Condition and Performance in 1992

The condition and performance of the nation's thrift industry insured by SAIF also showed significant improvement in 1992. Thrifts posted record earnings of over $5.1 billion in 1992, compared to earnings of $1.8 billion in 1991. The industry's average return on assets increased to 0.67 percent in 1992, with over half of the industry reporting returns on assets in excess of 0.94 percent for 1992. A major factor contributing to the thrift industry's favorable earnings performance during 1992 was the wide spread between interest earned on assets and thrifts' cost of funds throughout the year.

The industry also reported substantial declines in its level of troubled assets. Thrifts reported $23.8 billion in troubled assets for the fourth quarter of 1992. This represents a decline of $8.2 billion, or about 26 percent, from the $32 billion in troubled assets reported by thrifts at year-end 1991.

The size of the thrift industry declined in 1992. As of the end of 1992, the Office of Thrift Supervision (OTS), the industry's federal regulator, supervised 1,855 private-sector thrifts with assets totaling $795 billion. In comparison, at the end of 1991, OTS supervised 2,096 thrifts with assets totaling $876 billion. During 1992, 59 thrifts with assets totaling $47.6 billion were transferred to the Resolution Trust Corporation (RTC). Mergers, acquisitions, and conversions of thrift institution charters to commercial or state savings banks resulted in another 187 thrifts exiting the OTS-regulated thrift industry in 1992. There were five new thrifts chartered during the year.

At year-end 1992, more than 95 percent of the private-sector thrift industry met the recently implemented FDICIA capital standards. The average risk-based capital ratio for the industry equaled about 13.4 percent, significantly above the 8 percent minimum required by the regulators under FDICIA. Eighty-one percent of the thrift industry was reported by OTS as being well-capitalized, while less than one percent was rated critically undercapitalized at December 31, 1992.

[1]In May 1993, the FASB issued Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan." This statement does not address many of the concerns we raised with regard to weaknesses in the accounting rules for loan loss reserves in our report, Depository Institutions: Flexible Accounting Rules Lead to Inflated Financial Reports (GAO/AFMD-92-52, June 1, 1992).

Uncertainties Affect Failed Institution Asset Recoveries and Costs of Future Resolution Activities

While both the banking and thrift industries reported improved earnings, asset quality, and capital positions during 1992, a large number of banks and thrifts continued to experience serious problems that threaten their viability. Estimated losses from such open institutions, and on assets held by the funds as a result of resolution or assistance activities, are subject to significant uncertainties.

BIF's estimated liability for troubled banks considered likely to fail in the near future declined from $16.3 billion at December 31, 1991, to $10.8 billion at December 31, 1992. Based on our review of first quarter 1993 financial information submitted to FDIC by BIF-insured institutions, we believe the fund's estimated liability for troubled banks could be further reduced during 1993 since the financial condition of certain banks included in the estimated liability at December 31, 1992, is improving such that they may no longer appear likely to fail. Even with these improvements, however, the level of problem banks continues to represent significant exposure to BIF.

SAIF also faces exposure to costs from troubled thrifts when it assumes its full resolution responsibilities from RTC on October 1, 1993.[2] OTS recently estimated that 35 thrifts with total assets of $31 billion will probably fail or require resolution by September 30, 1993, at a cost estimated by RTC to be about $4.8 billion. To the extent RTC does not resolve these thrifts and assume the losses, SAIF will become responsible for their resolution and will bear any losses incurred. Additionally, OTS has identified another 52 thrifts with total assets of $19 billion that may require resolution by March 31, 1994. RTC estimates the cost associated with the resolution of these additional thrifts to be about $2 billion. Any losses incurred on these institutions will be borne by SAIF, which reported a fund balance of $279 million at December 31, 1992.

Estimates of potential future resolution costs are subject to significant uncertainties, such as future economic and market conditions and changes in interest rates. These same uncertainties could also affect FDIC's estimates of recoveries on BIF's and FRF's inventory of failed institution assets. These recoveries are used to repay amounts advanced by BIF and

[2]FIRREA established RTC to resolve thrifts whose deposits had been insured by FSLIC that were placed into conservatorship or receivership from January 1, 1989, through August 8, 1992. The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 (Public Law 102-233), enacted on December 12, 1991, extended RTC's resolution authority to thrifts placed into conservatorship or receivership through September 30, 1993. However, in accordance with the provisions of Public Law 102-233, any thrift requiring resolution after September 30, 1993, which had previously been under RTC conservatorship or receivership may be transferred back to RTC for resolution.

FRF to resolve troubled institutions or to purchase assets of terminated receiverships. BIF's and FRF's financial statements at December 31, 1992, include $52.8 billion and $14.5 billion, respectively, of such advances, net of actual recoveries. These amounts are reported as receivables from bank or thrift resolutions and investments in corporate-owned assets on each fund's financial statements.

Because the management and disposition of these assets normally will not generate amounts equal to the amounts advanced by BIF and FRF to resolve the failed institutions or the book values of the corporate-owned assets in BIF's and FRF's failed asset inventories, FDIC establishes an allowance for losses against the receivables and corporate-owned assets. The allowance for losses of $23.8 billion and $12.9 billion at December 31, 1992, for BIF and FRF, respectively, represents the difference between amounts advanced and the expected repayment, net of all estimated liquidation costs. The expected repayment is based primarily on the estimated recovery values of BIF's and FRF's assets in liquidation. At December 31, 1992, BIF and FRF held $38.1 billion and $5.2 billion, respectively, in failed bank and thrift assets. Adverse changes in economic conditions could result in actual recoveries that are less than current estimates.

FRF faces further exposure to costs from the assistance agreements entered into by the former FSLIC to facilitate the merger, acquisition, or stabilization of insolvent thrifts. As successor to FSLIC's liabilities, FRF is obligated under these assistance agreements to compensate the acquirers of troubled thrifts for losses realized on both the disposition and financial performance of the primarily real estate related, poor quality assets of the acquired thrifts. At December 31, 1992, FDIC estimated that FRF would pay more than $2.4 billion over the remaining life of the assistance agreements largely as a result of disposition and performance guarantees. Estimates for future assistance payments are revised on a quarterly basis based on changes in disposition strategies, asset performance, and historical experience. Actual assistance payments could be affected by various factors beyond FDIC's control, such as instabilities in local real estate markets, interest rate fluctuations, and any additional appropriated funds FDIC may receive to achieve cost savings under the agreements.

Improvements Needed in Examination Quality and Regulatory Structure

Effective supervision of banks and thrifts is essential to provide an early warning of problems and minimize losses to the insurance funds. The need to safeguard the assets of the insurance funds and to ensure accountability is demonstrated by the massive savings and loan crisis and also by the rapid depletion of BIF's reserves.

Our recent review of examination practices of the four federal regulatory agencies which supervise and examine all federally insured banks and thrifts—the FDIC, the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board (FRB), and OTS—showed that the examinations conducted by these agencies were too limited to fully identify and determine the extent of deficiencies affecting safety and soundness.[3] Accordingly, the ability of federal regulators to provide early warning of the seriousness of bank and thrift weaknesses and to take timely corrective action to minimize losses to the insurance funds was also limited. We found that similar weaknesses affected the quality of bank holding company inspections. The extensive degree of flexibility given to examiners and a lack of minimum requirements were common problems affecting the quality of examinations and inspections.

In our report, we made a number of recommendations to safeguard the insurance funds through strengthening bank and thrift examinations and bank holding company inspections. There were varying degrees of receptiveness to our recommendations on the part of the four regulators. Consequently, we remain concerned that the improvements needed in the quality of examinations to improve their effectiveness as a supervisory tool and to aid in initiating prompt regulatory action to prevent significant losses to the insurance funds will either not be made uniformly or not be made at all by the regulators. This concern, coupled with inconsistencies in examination methods and overlap among the four regulators that undermine their effectiveness and efficiency, suggest the need to reexamine the existing regulatory structure.

Disclaimer on FRF's 1991 Statement of Income and Accumulated Deficit

In our 1990 and 1991 audits[4] of the FSLIC Resolution Fund, we were unable to examine sufficient evidence to determine the reliability of the Fund's receivership asset recovery values at December 31, 1990, or whether a portion of the 1991 changes in the allowance for losses associated with the Fund's receivables from thrift resolutions and investment in corporate-owned assets should have been recorded in 1990. Because of

[3]Bank and Thrift Regulation: Improvements Needed in Examination Quality and Regulatory Structure (GAO/AFMD-93-15, February 16, 1993).

[4]Financial Audit: FSLIC Resolution Fund's 1990 and 1989 Financial Statements (GAO/AFMD-92-22, December 17, 1991), and Financial Audit: FSLIC Resolution Fund's 1991 and 1990 Financial Statements (GAO/AFMD-92-75, June 30, 1992).

this limitation on the scope of our work, we cannot express an opinion on FRF's statement of income and accumulated deficit for the year ended December 31, 1991.

Material Internal Control Weaknesses

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect an organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. There are two levels of reportable conditions—those that are considered material weaknesses,[5] which could affect the fair presentation of the financial statements, and those that, while not material to the financial statements, are significant matters which merit management's attention.

We identified several material weaknesses in FDIC's internal controls during our 1992 audits. Through substantive audit procedures, we were able to satisfy ourselves that these weaknesses did not have a material effect on the 1992 financial statements of the three funds. However, these weaknesses could result in misstatements in future financial statements and other financial information if not corrected by FDIC management. Additionally, these weaknesses, if not corrected, could adversely affect FDIC's ability to adequately manage and dispose of any failed institution assets transferred from RTC when it terminates its asset disposition operations. RTC is currently scheduled to terminate its operations and transfer any remaining receivership assets to FDIC no later than December 31, 1996.

Weaknesses in Asset Servicer Oversight Expose BIF to Losses and Errors in Recovery Estimates

Internal accounting controls over contractors engaged to service and liquidate over $11 billion in receivership assets from failed banks resolved by BIF are not being consistently implemented or are too limited to effectively assist FDIC in overseeing its asset servicers. We found the following.

- Three of 7 serviced asset pools had not been reconciled to the asset balances recorded in FDIC's financial information system promptly or completely. These three asset pools collectively held $6.7 billion in assets at December 31, 1992.

[5] A material weakness is a reportable condition in which the design or operation of the internal controls does not reduce to a relatively low level the risk that losses, noncompliance, or misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of their assigned duties.

- FDIC did not have sufficient controls to ensure that (1) the methodology used by servicers for calculating asset recovery estimates was consistent with the methodology FDIC used on assets managed internally and (2) the servicers prepared complete and accurate asset recovery estimates. This weakness increases the risk that servicers' prepared recovery estimates will be inconsistent and could significantly impact the reliability of BIF's allowance for losses.
- Asset servicer internal audits, which FDIC relied on, were not consistently conducted to ensure coverage of critical control areas such as inception balances of asset pools, general ledger reconciliations, and asset recovery estimates. Additionally, significant findings from internal audits of servicer pool operations were not always communicated to the servicers' oversight committee in a timely manner.

These weaknesses in the oversight of contracted asset servicing entities expose BIF to errors in the process used to determine the Fund's estimated losses on bank resolution activity and hinder FDIC from adequately safeguarding receivership assets.

Weak Controls Over FDIC's Asset Management Information System Continue to Result in Data Integrity Problems

Controls to ensure the integrity of data in FDIC's primary system for estimating recoveries from the management and liquidation of receivership assets are not working effectively. The lack of consistent maintenance and updating of system data files to reflect current information impacting the condition and potential recoveries on assets in liquidation and inconsistencies in how estimated recoveries are derived have resulted in errors in system generated information on asset recovery estimates. These weaknesses, which were also identified during our 1991 audits of BIF and FRF, could result in future misstatements to both BIF's and FRF's financial statements if corrective action is not taken by FDIC management.

In addition, significant differences in receivership asset book values existed between FDIC's receivership general ledger control accounts and subsidiary records maintained on its asset management information system at December 31, 1992, for both BIF and FRF. Further, FDIC lacks a uniform system for tracking differences between the subsidiary records and control accounts, which has exacerbated this problem. Such differences reduce FDIC's ability to adequately safeguard receivership assets and could result in misstating BIF's and FRF's estimates of recovery values on these assets.

Lack of Monthly Reconciliations Between Loan Servicer and FDIC Exposes Funds to Potential Losses and Reporting Errors

FDIC experienced substantial delays during 1992 in reconciling asset pool balances between its financial information system and the records of the primary servicer of its performing commercial and residential loans of receiverships and corporate-owned assets. As of March 1993, reconciliations of receivership asset book values through November 1992 had not been performed for approximately half of the $2.8 billion in assets serviced by this contractor. Of this amount, assets with December 31, 1992, reported book values of approximately $734 million had not been reconciled since June 1992. The lack of complete and up-to-date monthly reconciliations between the servicer's and FDIC's records adversely affects FDIC's ability to adequately safeguard these assets, and exposes both BIF and FRF to additional losses and errors in financial reporting.

Weaknesses in Time and Attendance Processes Could Affect Expense Allocations Between Funds

FDIC is not consistently adhering to its policies and procedures over the time and attendance reporting process. Additionally, certain responsibilities within the time and attendance reporting process, such as timekeeping and data entry, are not segregated to provide assurance that errors can be detected and corrected in a timely manner. Time and attendance reporting is FDIC's primary means for allocating payroll and other overhead expenses between the three funds it administers. Given the significance of employee and overhead costs required to administer and manage the assets of the funds, and the significance of BIF's and FRF's assets relative to those of SAIF, improper allocation of employee time and associated costs to SAIF could result in SAIF incurring substantial costs attributable to the other funds and in material misstatements of SAIF's financial statements.

FDIC officials acknowledge that the Corporation's system of internal controls can be improved. However, they did not always agree that the weaknesses we identified were material to the financial statements of the three funds. In addition, they believe that, in some instances, action had been taken, or was currently being taken, to address the concerns we raised during our audits. Given the nature of the weaknesses we identified in FDIC's system of internal accounting controls over its asset management and liquidation activities and its time and attendance reporting process, and the significance of these activities to the three funds, we believe these weaknesses could, in fact, have a material effect on the financial statements of the three funds.

We will be issuing a separate report on our evaluation of FDIC's system of internal accounting controls as of December 31, 1992, which discusses each of these material weaknesses in more detail, provides our recommendations, and provides more detail on other reportable conditions discussed briefly in a later section of this report. The report will also provide more detail on FDIC's response to our internal control findings and recommendations, and actions FDIC has taken or intends to take to address these weaknesses.

Opinions on Financial Statements

Bank Insurance Fund

The financial statements and accompanying notes present fairly, in all material respects, the Bank Insurance Fund's financial position as of December 31, 1992 and 1991, results of operations, and cash flows for the years then ended, in conformity with generally accepted accounting principles.

Misstatements may nevertheless occur in other financial information on the Fund reported by FDIC as a result of the material internal control weaknesses we identified. Additionally, the significant uncertainties previously discussed and in footnotes 6 and 11 to the financial statements, and the material internal control weaknesses we identified, may ultimately result in substantial changes in the recovery value of advances to receiverships and corporate-owned assets held by the Fund and may impact the Fund's costs from resolving future bank failures.

Savings Association Insurance Fund

The financial statements and accompanying notes present fairly, in all material respects, the Savings Association Insurance Fund's financial position as of December 31, 1992 and 1991, results of operations, and cash flows for the years then ended, in conformity with generally accepted accounting principles.

Misstatements may nevertheless occur in other financial information on the Fund reported by FDIC as a result of the material internal control weakness we identified. Additionally, the significant uncertainties previously discussed and in footnote 8 to the financial statements, may ultimately result in substantial increases in the Fund's costs from resolving future thrift failures.

FSLIC Resolution Fund

The financial statements and accompanying notes present fairly, in all material respects, the FSLIC Resolution Fund's financial position as of December 31, 1992 and 1991, results of operations for the year ended December 31, 1992, and cash flows for the years ended December 31, 1992 and 1991, in conformity with generally accepted accounting principles. However, because of a scope limitation, we did not express an opinion on the Fund's statement of income and accumulated deficit for the year ended December 31, 1991.

Misstatements may nevertheless occur in other financial information on the Fund reported by FDIC as a result of the material internal control weaknesses we identified. Additionally, the significant uncertainties previously discussed and in footnote 4 to the financial statements, and the material internal control weaknesses we identified, may ultimately result in substantial changes in the recovery value of advances to receiverships and corporate-owned assets held by the Fund. The uncertainties may also result in actual assistance payments substantially different from those FDIC has estimated for the Fund as of December 31, 1992. The use of appropriations to achieve cost savings under the Fund's assistance agreements will also affect future assistance payments.

Opinion on Internal Controls

The internal controls that we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with management authority and with laws and regulations; and
- properly record, process, and summarize transactions to permit the preparation of financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets.

Because of the material weaknesses in internal controls described previously, internal controls do not provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; that transactions are executed in accordance with management authority; or that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets. However, controls in effect on December 31, 1992, provided reasonable assurance that transactions are executed in accordance with significant provisions of selected laws and regulations.

Reportable Conditions

In addition to material weaknesses, our work identified other reportable conditions which, although not considered to be material, represent significant deficiencies in the design or operation of FDIC's internal controls and should be corrected by FDIC management. These reportable conditions are as follows:

1. General controls over FDIC's computerized information systems did not provide adequate assurance that data files, computer programs, and computer hardware were protected from unauthorized access and modification. The effectiveness of general controls is a significant factor in ensuring the integrity and reliability of financial data. Without the mitigating controls FDIC had in place during 1992, such as manual comparisons, the weaknesses in general controls would raise significant concerns over the integrity of information obtained from FDIC's systems.

2. FDIC did not have adequate controls over cash receipt processes at 4 of the 11 consolidated receivership sites during 1992 for which we performed testing of receipt processing controls to provide reasonable assurance that all collections from the internal servicing and liquidation of failed institution assets were completely and accurately recorded for BIF and FRF. As a result, BIF and FRF may not have deposited and recorded all proceeds received from collections and sales of assets in liquidation during 1992.

3. The method of accounting used by two contracted servicers of BIF's failed bank assets did not comply with the requirements of receivership accounting for applying collections. Additionally, FDIC's method of accounting for servicer collections and remittances varied between regional offices. These conditions resulted in incorrect reported balances of receivership assets, the need for adjustments to the receivership general ledgers for the applicable serviced asset pools, and, consequently, a reduction in the ability of FDIC to properly monitor and safeguard the pool assets.

4. FDIC did not have effective controls in place to ensure that assessment income due SAIF was properly recorded in the fund's financial records. Errors in assessment information submitted to FDIC by banks with both BIF and SAIF-insured deposits were not detected on a timely basis through FDIC verification procedures. As a result, SAIF's assessment revenue has been understated since 1990, and significant audit adjustments totaling $18.4 million had to be made to SAIF's current and prior years' financial statements to correct these errors.

5. FDIC did not establish procedures to ensure that all exit fee income was recorded in SAIF's financial records when financial institutions changed their insurance coverage from SAIF to BIF. Reconciliations between general ledger control accounts used to record exit fee income and detailed exit fee activity reports were not performed, and a number of adjustments arising from other verification procedures were not recorded in the general ledger for SAIF. As a result, significant audit adjustments were required to SAIF's financial statements to properly reflect all exit fee activity.

6. FDIC does not have formal procedures to ensure that adjustments to the financial statements of the three funds were properly authorized. In addition, there are no formal procedures to ensure that all transactions that should be recorded through adjustments are properly considered in preparing the financial statements. The lack of adequate approval and procedures to ensure that all necessary adjustments are considered could result in misstatements to the financial statements of the three funds.

In addition, we noted other less significant matters involving FDIC's system of internal accounting control and its operations which we will be reporting separately to FDIC management.

Compliance With Laws and Regulations

Our tests for compliance with significant provisions of selected laws and regulations disclosed no material instances of noncompliance. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred. Although not considered a material noncompliance issue, FDIC did not comply with the Chief Financial Officers (CFO) Act requirement that government corporations submit an annual statement on internal accounting and administrative controls consistent with the requirements of the Federal Managers' Financial Integrity Act. Specifically, FDIC's 1991 report on internal accounting and administrative controls, issued in August 1992, contained no assessment by management of the effectiveness of these controls as required by the CFO Act. FDIC's report on internal accounting and administrative controls in place during 1992 was not completed in time for us to consider it during our audit. However, FDIC has initiated an implementation strategy to achieve full compliance with the CFO Act. FDIC intends to submit its report on internal accounting and administrative controls in place through early 1993 in the near future.

Objectives, Scope, and Methodology

The management of FDIC is responsible for

- preparing the annual financial statements of BIF, SAIF, and FRF in conformity with generally accepted accounting principles;
- establishing and maintaining internal controls and systems to provide reasonable assurance that the internal control objectives previously mentioned are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are free of material misstatement and presented fairly in conformity with generally accepted accounting principles and (2) relevant internal controls are in place and operating effectively. We are also responsible for testing compliance with significant provisions of selected laws and regulations.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements of each of the three funds;
- assessed the accounting principles used and significant estimates made by FDIC management;
- evaluated the overall presentation of the financial statements of each of the three funds;
- evaluated and tested relevant internal controls over the following significant cycles, classes of transactions, and account balances:
  - troubled institutions,
  - closed assistance,
  - assessments,
  - open assistance,
  - expenses,
  - treasury, and
  - financial reporting; and
- tested compliance with significant provisions of the Federal Deposit Insurance Act, as amended; the Chief Financial Officers Act; and the Federal Home Loan Bank Act, as amended. The provisions selected for testing included, but were not limited to, those relating to
  - assessment rates,
  - investment of amounts held by the funds,
  - maximum obligation limitations,
  - disbursements for bank and thrift resolutions,
  - external financial reporting, and

- accounting for administrative expenses.

We limited our work to accounting and other controls necessary to achieve the objective outlined in our opinion on internal controls. Because of inherent limitations in any system of internal controls, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our favorable evaluation of controls related to compliance with laws and regulations 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 such controls may deteriorate.

Our audits were conducted in accordance with generally accepted government auditing standards. We believe our audits provide a reasonable basis for our opinions.

Charles A. Bowsher
Comptroller General
of the United States

May 15, 1993

Bank Insurance Fund's Financial Statements

Statements of Financial Position

Federal Deposit Insurance Corporation

Bank Insurance Fund

Statements of Financial Position

Dollars in Thousands	December 31 1992	1991
Assets		
Cash and cash equivalents (Note 3)	$ 3,592,629	$ 1,770,016
Investment in U.S. Treasury obligations, net (Note 4)	1,692,222	3,302,861
Accrued interest receivable on investments and other assets	105,690	163,986
Investment in corporate-owned assets, net (Note 5)	1,461,263	2,340,074
Net receivables from bank resolutions (Note 6)	27,823,964	18,674,760
Property and buildings (Note 8)	161,757	163,466
	34,837,525	**26,415,163**
Liabilities and the Fund Balance (Deficit)		
Accounts payable, accrued and other liabilities (Note 15)	408,394	83,835
Federal Financing Bank borrowings (Note 9)	10,232,977	10,745,964
Liabilities incurred from bank resolutions (Note 10)	13,495,571	6,106,324
Estimated Liabilities for: (Note 11)		
Unresolved cases	10,782,390	16,345,871
Litigation losses	18,768	161,111
Total Liabilities	**34,938,100**	**33,443,105**
Fund Balance (Deficit)	**(100,575)**	**(7,027,942)**
	$34,837,525	**$26,415,163**

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

Statements of Income and the Fund Balance (Deficit)

Federal Deposit Insurance Corporation

Bank Insurance Fund

Statements of Income and the Fund Balance (Deficit)

Dollars in Thousands	For the Year Ended December 31 1992	1991
Revenue		
Assessments earned (Note 12)	$ 5,587,806	$ 5,160,486
Interest on U.S. Treasury obligations	299,410	471,072
Revenue from corporate-owned assets	255,745	50,051
Other revenue	158,584	108,358
	6,301,545	**5,789,967**
Expenses and Losses		
Administrative expenses (Note 15)	360,793	284,147
Provision for insurance losses (Note 7)	(2,259,690)	15,476,192
Corporate-owned asset expenses	226,433	55,226
Interest and other insurance expenses (Note 13)	836,669	1,046,830
	(835,795)	**16,862,395**
Net Income (Loss) Before Cumulative Effect of a Change in Accounting Principle	**7,137,340**	**(11,072,428)**
Cumulative effect of accounting change for certain postretirement benefits (Note 15)	209,973	-0-
Net Income (Loss)	**6,927,367**	**(11,072,428)**
Fund Balance (Deficit) - Beginning	**(7,027,942)**	**4,044,486**
Fund Balance (Deficit) - Ending	**$ (100,575)**	**$ (7,027,942)**

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

Statements of Cash Flows

Federal Deposit Insurance Corporation

Bank Insurance Fund
Statements of Cash Flows

Dollars in Thousands	For the Year Ended December 31 1992	1991
Cash Flows from Operating Activities		
Cash provided from:		
Assessments	$ 5,586,547	$ 5,163,249
Interest on U.S. Treasury obligations	346,600	600,748
Recoveries from bank resolutions	9,657,301	7,649,667
Recoveries from corporate-owned assets	1,611,846	230,626
Miscellaneous receipts	161,785	39,005
Cash used for:		
Administrative expenses	(412,779)	(340,550)
Interest paid on liabilities incurred from bank resolutions	(520,669)	(259,294)
Disbursements for bank resolutions	(15,292,016)	(20,354,133)
Disbursements for corporate-owned assets	(405,767)	(2,548,063)
Miscellaneous disbursements	(47,608)	(8,288)
Net Cash Provided by (Used by) Operating Activities (Note 19)	**685,240**	**(9,827,033)**
Cash Flows from Investing Activities		
Cash provided from:		
Maturity and sale of U.S. Treasury obligations	1,600,000	2,299,319
Gain on sale of U.S. Treasury obligations	-0-	3,806
Cash used for:		
Property and buildings	(1,652)	(20,916)
Net Cash Provided by Investing Activities	**1,598,348**	**2,282,209**
Cash Flows from Financing Activities		
Cash provided from:		
Federal Financing Bank borrowings	4,540,000	10,607,000
Cash used for:		
Payments of indebtedness incurred from bank resolutions	(1,021)	(2,414,339)
Repayments of Federal Financing Bank borrowings	(4,999,954)	-0-
Net Cash Provided by (Used by) Financing Activities	**(460,975)**	**8,192,661**
Net Increase in Cash and Cash Equivalents	**1,822,613**	**647,837**
Cash and Cash Equivalents - Beginning	**1,770,016**	**1,122,179**
Cash and Cash Equivalents - Ending	**$ 3,592,629**	**$ 1,770,016**

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

Notes to the Financial Statements

1. Legislative History and Reform

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was enacted to reform, recapitalize and consolidate the federal deposit insurance system. The FIRREA created the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF) and the FSLIC Resolution Fund (FRF). It also designated the Federal Deposit Insurance Corporation (FDIC) as the administrator of these three funds. The BIF insures the deposits of all BIF-member institutions (normally commercial or savings banks) and the SAIF insures the deposits of all SAIF-member institutions (normally thrifts). The FRF is responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC). All three funds are maintained separately to carry out their respective mandates.

The Omnibus Budget Reconciliation Act of 1990 (1990 Act) removed caps on assessment rate increases and allowed for semiannual rate increases. In addition, this Act permitted the FDIC, on behalf of the BIF and the SAIF, to borrow from the Federal Financing Bank (FFB) under terms and conditions determined by the FFB.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (1991 Act) was enacted to further strengthen the insurance funds administered by the FDIC. The FDIC's authority to borrow from the U.S. Treasury, on behalf of the BIF and the SAIF, to cover insurance losses was increased from $5 billion to $30 billion. However, the FDIC cannot incur any additional obligation for the BIF or the SAIF if incurring the obligation would result in the amount of total obligations in the respective Fund exceeding the sum of: 1) its cash and cash equivalents; 2) the amount equal to 90 percent of the fair-market value of its other assets; and 3) the total amount authorized to be borrowed from the U.S. Treasury (excluding FFB borrowings). In 1992, for purposes of calculating the maximum obligation limitation, the FDIC allocated the total authorized borrowings of $30 billion to the BIF.

The 1991 Act requires that the FDIC repay U.S. Treasury borrowings under the $30 billion authorization from assessment revenues. The FDIC must provide the U.S. Treasury with a repayment schedule demonstrating that assessment revenues are adequate to make payment when due. In addition, the FDIC has the authority to increase assessment rates more frequently than semiannually and impose emergency special assessments as necessary to ensure that funds are available for these payments.

Other provisions of the 1991 Act require the FDIC to: 1) implement capital standards and regulatory controls designed to strengthen the banking industry; 2) implement a risk-based assessment system; 3) limit insurance coverage for uninsured liabilities; 4) resolve troubled institutions in a manner that will result in the least possible cost to the deposit insurance funds; and 5) provide a schedule for bringing the reserves in the insurance funds to 1.25 percent of insured deposits.

Operations of the BIF
The primary purpose of the BIF is to: 1) insure the deposits and protect the depositors of insured banks and 2) finance the resolution of failed banks including managing and liquidating their assets. In addition, the FDIC, acting on behalf of the BIF, examines state chartered banks that are not members of the Federal Reserve System and provides and monitors assistance to failing banks.

The BIF is funded from the following sources: 1) BIF-member assessment premiums; 2) interest earned on investments in U.S. Treasury obligations; 3) income earned on and funds received from the management and disposition of assets acquired from failed banks; and 4) U.S. Treasury and FFB borrowings.

2. Summary of Significant Accounting Policies

General
These financial statements pertain to the financial position, results of operations and cash flows of the BIF. These statements do not include reporting for assets and liabilities of closed banks for which the BIF acts as receiver or liquidating agent. Periodic and final accountability reports of the BIF's activities as receiver or liquidating agent are furnished to courts, supervisory authorities and others as required.

U.S. Treasury Obligations
Securities are intended to be held to maturity and are shown at book value, which is the purchase price of securities less the amortized

premium or plus the accreted discount. Such amortizations and accretions are computed on a daily basis from the date of acquisition to the date of maturity. Interest is calculated on a daily basis and recorded monthly using the constant yield method.

Allowance for Losses on Receivables from Bank Resolutions and Investment in Corporate-Owned Assets

The BIF records as receivable the amounts advanced for assisting and closing banks. The BIF also records as an asset the amounts advanced for investment in corporate-owned assets. Any related allowance for loss represents the difference between the funds advanced and the expected repayment. The latter is based on the estimated cash recoveries from the assets of assisted or failed banks, net of all estimated liquidation costs. Estimated cash recoveries also include dividends and gains on sales from equity instruments acquired in assistance agreements (the proceeds of which are deferred pending final settlement of the assistance transaction).

Escrowed Funds from Resolution Transactions

In various resolution transactions, the BIF pays the acquirer the difference between failed bank liabilities assumed and assets purchased, plus or minus any premium or discount. The BIF considers the amount of the deduction for assets purchased to be funds held on behalf of the receivership. The funds will remain in escrow and accrue interest until such time as the receivership uses the funds to: 1) repurchase assets under asset put options; 2) pay preferred and secured claims; 3) pay receivership expenses; or 4) pay dividends.

Litigation Losses

The BIF accrues, as a charge to current period operations, an estimate of probable losses from litigation against the BIF in both its corporate and receivership capacities. The FDIC's Legal Division recommends these estimates on a case-by-case basis.

Receivership Administration

The BIF is responsible for controlling and disposing of the assets of failed institutions in an orderly and efficient manner. The assets, and the claims against those assets, are accounted for separately to ensure that liquidation proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Indirect liquidation expenses incurred by the BIF on behalf of the receiverships are recovered from them through a cost recovery process.

Cost Allocations Among Funds

Certain operating expenses (including personnel, administrative and other indirect expenses) not directly charged to each Fund under the FDIC's management are allocated on the basis of the relative degree to which the operating expenses were incurred by the Funds. The cost of furniture, fixtures and equipment purchased by the FDIC on behalf of the three Funds under its administration is allocated among these Funds on a pro rata basis. The BIF expenses its share of furniture, fixtures and equipment at the time of acquisition because of their immaterial amounts.

Postretirement Benefits Other Than Pensions

Effective January 1, 1992, the FDIC implemented the requirements of the Statement of Financial Accounting Standards (SFAS) No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions." This new standard mandates the accrual method of accounting for postretirement benefits other than pensions based on actuarially determined costs to be recognized during employees' years of active service. This is a significant change from the FDIC's previous policy of recognizing these costs in the year the benefits were provided (i.e., the cash basis). In adopting the accounting provisions of the new standard, the BIF will provide the accounting and administration of this liability on behalf of the SAIF, the FRF and the Resolution Trust Corporation (RTC).

Depreciation

The FDIC has designated the BIF administrator of facilities owned and used in its operations. Consequently, the BIF includes the cost of these facilities in its financial statements and provides the necessary funding for them. The BIF charges other Funds sharing the facilities a rental fee representing an allocated share of its annual depreciation expense.

The Washington office buildings and the L. William Seidman Center in Arlington, VA, are depreciated on a straight-line basis over a 50-year estimated life. The San Francisco condominium offices are depreciated on a straight-line basis over a 35-year estimated life.

Related Parties
The nature of related parties and a description of related party transactions are disclosed throughout the financial statements and footnotes.

Reclassifications
Reclassifications have been made in the 1991 Financial Statements to conform to the presentation used in 1992.

3. Cash and Cash Equivalents

The BIF considers cash equivalents to be short-term, highly liquid investments with original maturities of three months or less. In 1992, cash restrictions included $12.4 million for health insurance payable and $842 thousand for funds held in trust. In 1991, cash restrictions included $8.2 million for health insurance payable and $1.1 million for funds held in trust.

Cash and Cash Equivalents

Dollars in Thousands	December 31 1992	December 31 1991
Cash	$ 71,859	$ 299,311
One-day special Treasury certificates	3,520,770	1,470,705
	$3,592,629	**$1,770,016**

4. U.S. Treasury Obligations

All cash received by the BIF is invested in U.S. Treasury obligations unless the cash is: 1) to defray operating expenses; 2) for outlays related to assistance to banks and liquidation activities; or 3) invested in one-day special Treasury certificates.

U.S. Treasury Obligations

December 31, 1992

Dollars in Thousands

Maturity	Description	Yield to Maturity at Market	Book Value	Market Value	Face Value
Less than one year	U.S. Treasury Bills, Notes & Bonds	2.98%	$1,692,222	$1,729,233	$1,700,000

December 31, 1991

Dollars in Thousands

Maturity	Description	Yield to Maturity at Market	Book Value	Market Value	Face Value
Less than one year	U.S. Treasury Bills, Notes & Bonds	4.07%	$1,619,709	$1,647,748	$1,600,000
1-3 years	U.S. Treasury Notes & Bonds	4.52%	1,683,152	1,765,410	1,700,000
			$3,302,861	**$3,413,158**	**$3,300,000**

In 1992, the accreted discount, net of amortized premium, was $10.6 million. In 1991, the amortized premium, net of accreted discount, was $47 million.

5. Investment in Corporate-Owned Assets, Net

The BIF acquires assets in certain failing and failed bank cases by either purchasing an institution's assets outright or purchasing the assets under the terms specified in each resolution agreement. In addition, the BIF also can purchase assets remaining in a receivership to facilitate termination. The vast majority of corporate-owned assets are real estate and mortgage loans. The BIF recognizes income and expenses on these assets. Income consists primarily of the portion of collections on performing mortgages related to interest earned. Expenses are recognized for administering the management and liquidation of these assets.

Investment in Corporate-Owned Assets, Net

Dollars in Thousands	December 31	
	1992	1991
Investment in corporate-owned assets	$1,886,720	$2,999,141
Allowance for losses (Note 7)	(425,457)	(659,067)
	$1,461,263	**$2,340,074**

6. Net Receivables from Bank Resolutions

The FDIC resolution process results in different types of transactions depending on the unique facts and circumstances surrounding each failing or failed institution. Payments to prevent a failure are made to operating institutions when cost and other criteria are met. Such payments may facilitate a merger or allow a failing institution to continue operations. Payments for institutions that fail are made to cover insured depositors' claims and represent a claim against the receivership's assets.

In an effort to maximize the return from the sale or disposition of assets and to minimize realized losses from bank resolutions, the FDIC, as receiver for failed banks, engages in a variety of strategies to dispose of assets held by the banks at time of failure. A failed bank acquirer can purchase selected assets at the time of resolution and assume full ownership, benefit and risk related to such assets. In certain cases, the receiver offers a period of time during which an acquirer can sell assets back to the receivership at a specified value (i.e., an asset "putback" option).

Alternately, the receiver can enter into a loss-sharing arrangement with an acquirer whereby, for specified assets and in accordance with individual contract terms, the two parties share in credit losses and certain qualifying expenses. Typically, these arrangements direct that the receiver pay to the acquirer a specified percentage of the losses triggered by the charge-off of assets covered by the loss-sharing agreement terms. The receiver absorbs the majority of the losses incurred and shares in the acquirer's future recoveries of previously charged-off assets.

Failed bank assets can also be retained by the receiver to either be managed and disposed of by in-house FDIC liquidation staff or managed and liquidated by private-sector servicers with oversight from the FDIC through administration of asset servicing contracts.

As stated in Note 2, the allowance for losses on receivables from bank resolutions represents the difference between amounts advanced and the expected repayment, based upon the estimated cash recoveries from the sale of the assets of the assisted or failed bank, net of all estimated liquidation costs.

As of December 31, 1992 and 1991, the BIF, in its receivership capacity, held assets with a book value of $51.3 billion and $39 billion, respectively. The estimated cash recoveries from the sale of these assets (excluding cash and miscellaneous receivables of $16.3 billion) are regularly evaluated, but remain subject to uncertainties because of changing economic conditions affecting real estate assets now in the marketplace. These factors could reduce the claimants' actual recoveries upon the sale of these assets from the level of recoveries currently estimated.

Receivables from operating banks include amounts outstanding to qualified institutions under the Capital Instrument Program. This program, which was established at the FDIC by authorization of the Garn-St Germain Depository Institutions Act of 1982, was extended through October 13, 1991, by the Competitive Equality Banking Act of 1987 (authority for this program has not been extended). Under this program, the BIF purchased a qualified institution's capital instrument, such as Net Worth Certificates and Income Capital Certificates (ICCs). The BIF issued, in a non-cash exchange, its non-negotiable promissory note of equal value. In 1992, Dollar Dry Dock Bank, White Plains, NY, was closed by its chartering authority and the outstanding ICC of $25 million was subsequently transferred from an operating bank to a closed bank receivable. In addition, the remaining receivable balance of $49 million was paid in full. The total outstanding capital instruments as of December 31, 1992 and 1991, were $25 million and $74 million, respectively.

Net Receivables from Bank Resolutions

Dollars in Thousands	December 31 1992	December 31 1991
Receivables from Operating Banks:		
Operating banks	$ 2,703,305	$ 1,361,054
Capital instruments	-0-	73,500
Notes receivable	164,500	181,500
Accrued interest receivable	3,167	6,876
Allowance for losses (Note 7)	(2,203,158)	(1,198,946)
	667,814	**423,984**
Receivables from Closed Banks:		
Loans and related assets	1,628,857	1,654,632
Resolution transactions	49,277,763	38,737,855
Capital instruments	25,000	-0-
Depositors' claims unpaid	24,983	10,765
Deferred settlements (a)	(403,901)	(403,901)
Allowance for losses (Note 7)	(23,396,552)	(21,748,575)
	27,156,150	**18,250,776**
	$ 27,823,964	**$ 18,674,760**

(a) Proceeds from the sale of equity investments related to the Continental Bank, Chicago, IL, agreement, September 26, 1984, have been deferred pending final termination.

7. Analysis of Changes in Allowance for Losses and Estimated Liabilities

The Provision for insurance losses includes the estimated losses for bank resolutions occurring during the year for which an estimated loss had not been previously established. It also includes loss adjustments for bank resolutions that occurred in prior periods.

Transfers consist of bank resolutions that occurred during the year for which an estimated cost had already been recognized in a previous period. Terminations represent any final adjustments to the estimated cost figures for those bank resolutions that have been completed and for which the operations of the receivership have ended.

Analysis of Changes in Allowance for Losses and Estimated Liabilities

1992

Dollars in Millions

	Beginning Balance 01/01/92	Provision for Insurance Losses Current Year	Prior Year	Total	Net Cash Payments	Transfers/ Terminations	Ending Balance 12/31/92
Allowance for Losses:							
Operating banks	$ 1,199	$ (100)	$ (31)	$ (131)	$ 24	$ 1,111	$ 2,203
Corporate-owned assets	659	-0-	(223)	(223)	-0-	(11)	425
Closed banks	21,749	(2,711)	(1,504)	(4,215)	-0-	5,863	23,397
Total	**23,607**	**(2,811)**	**(1,758)**	**(4,569)**	**24**	**6,963**	**26,025**
Estimated Liabilities for:							
Assistance agreements	298	1	494	495	(587)	2	208
Litigation losses	161	-0-	(142)	(142)	-0-	-0-	19
Total	**459**	**1**	**352**	**353**	**(587)**	**2**	**227**
Total Allowance/Estimated Liabilities Failed Banks	**24,066**	**(2,810)**	**(1,406)**	**(4,216)**	**(563)**	**6,965**	**26,252**
Estimated Liabilities for:							
Unresolved cases	**16,346**	**5,634**	**(3,678)**	**1,956**	**-0-**	**(7,520)**	**10,782**
Total		**$2,824**	**$(5,084)**	**$(2,260)**			

1991

Dollars in Millions

	Beginning Balance 01/01/91	Provision for Insurance Losses: Current Year	Prior Year	Total	Net Cash Payments	Transfers/ Terminations	Ending Balance 12/31/91
Allowance for Losses:							
Operating banks	$ 1,207	$ 1	$ 130	$ 131	$ (7)	$ (132)	$ 1,199
Corporate-owned assets	407	-0-	258	258	-0-	(6)	659
Closed banks	16,187	747	(978)	(231)	-0-	5,793	21,749
Total	**17,801**	**748**	**(590)**	**158**	**(7)**	**5,655**	**23,607**
Estimated Liabilities for:							
Assistance agreements	916	(132)	14	(118)	(1,102)	602	298
Litigation losses	152	-0-	9	9	-0-	-0-	161
Total	**1,068**	**(132)**	**23**	**(109)**	**(1,102)**	**602**	**459**
Total Allowance/Estimated Liabilities Failed Banks	**18,869**	**616**	**(567)**	**49**	**(1,109)**	**6,257**	**24,066**
Estimated Liabilities for: Unresolved cases	**7,685**	**15,427**	**-0-**	**15,427**	**-0-**	**(6,766)**	**16,346**
Total		**$16,043**	**$(567)**	**$15,476**			

8. Property and Buildings

Property and Buildings

Dollars in Thousands	December 31 1992	December 31 1991
Land	$ 29,631	$ 29,631
Office buildings	151,442	149,790
Accumulated depreciation	(19,316)	(15,955)
	$161,757	**$163,466**

The 1992 increase of $1.7 million for office buildings represents disbursements for completion of the L. William Seidman Center.

9. Federal Financing Bank (FFB) Borrowings

The FDIC was authorized to borrow from the FFB under the 1990 Act. On January 8, 1991, the FDIC and the FFB entered into a Note Purchase Agreement which is renewable annually and permits the FDIC to borrow funds to meet its financing requirements. Funds borrowed will be repaid to the FFB through the liquidation of assets from failed institutions.

The Note Purchase Agreement provides for the rollover of amounts advanced, plus interest where necessary, on a quarterly basis. It also requires the submission of estimates for subsequent quarter financing needs. Interest is payable quarterly with rates based on the U.S. Treasury bill auction in effect during the quarter plus 12.5 basis points. The agreement also provides the FDIC with the option to repay, at any time, any or all of the principal and interest outstanding.

As of December 31, 1992 and 1991, FFB borrowings were $10.2 billion and $10.6 billion, respectively. Accrued interest was $73 million and $126 million, respectively. Consistent with the terms of the agreement, principal outstanding on January 4, 1993, was rolled over into a new borrowing. As renewed, the Note Purchase Agreement provides for additional borrowing up to a ceiling of $20 billion. The interest rates during 1992 ranged from 2.88 percent to 4.27 percent.

10. Liabilities Incurred from Bank Resolutions

The FDIC resolution process can provide different types of transactions depending on the unique facts and circumstances surrounding each failing or failed institution. The BIF can assume certain liabilities that require future payments over a specified period of time.

The estimated liabilities for assistance agreements resulted from several large transactions where problem assets were purchased by an acquiring institution under an agreement that calls for the FDIC to absorb credit losses and to pay related costs for funding and asset administration plus an incentive fee.

Liabilities Incurred from Bank Resolutions

Dollars in Thousands	December 31 1992	December 31 1991
Escrowed funds from resolution transactions	$12,870,125	$5,606,910
Funds due to bridge banks	376,156	-0-
Funds held in trust	842	1,084
Depositors' claims unpaid	24,983	10,765
Notes indebtedness	1,106	153,194
Estimated liabilities for assistance agreements (Note 7)	208,252	298,171
Accrued interest/other liabilities	14,107	36,200
	$13,495,571	**$6,106,324**

Maturities of Liabilities

Dollars in Thousands

1993	1994	1995	1996
$13,305,961	$16,589	$9,599	$163,422

11. Estimated Liabilities for:

Unresolved Cases

The BIF records as a contingent liability on its financial statements an estimated loss for its probable cost for banks that have not yet failed but the regulatory process has identified as either equity insolvent or in-substance equity insolvent or likely to become in-substance equity insolvent within the foreseeable future. This includes banks that were solvent at year-end, but which have adverse financial trends and, absent some favorable event (such as obtaining additional capital or a merger), will probably become equity deficient in the future. The FDIC relies on this finding regarding solvency as the determining factor in defining the existence of the "accountable event" that triggers loss recognition under generally accepted accounting principles.

As with any of its contingent liabilities, the FDIC cannot predict the timing of events with reasonable accuracy. These liabilities and a corresponding reduction in the Fund Balance are recognized in the period in which they are deemed probable and reasonably estimable. It should be noted, however, that future assessment revenues will be available to the BIF to recover some or all of these losses, and that their amounts have not been reflected as a reduction in the losses.

The estimated liabilities for unresolved cases as of December 31, 1992 and 1991, were $10.8 billion and $16.3 billion, respectively. The estimated costs for these probable bank failures are derived in part from estimates of recoveries from the sale of the assets of these banks. As such, they are subject to the same uncertainties as those affecting the BIF's net receivables from bank resolutions (see Note 6). This could understate the ultimate costs to the BIF from probable bank failures.

The FDIC estimates that banks with combined assets ranging from $70 billion to $85 billion could potentially fail in 1993 and 1994. The BIF's resolution costs of these institutions are estimated to range from $8.4 billion to $13.2 billion for 1993 and 1994, of which $10.8 billion has already been recognized as a loss. The greatest concentration of weak bank assets at year-end was in the Northeast region and in California; their condition has been eroded by poor regional economies and weak real estate markets. The further into the future projections of bank solvency are made, the greater the uncertainty of banks failing and the magnitude of the loss associated with those failures. The accuracy of these estimates will largely depend on future economic conditions, particularly in the real estate markets and the level of future interest rates.

Litigation Losses

The FDIC records as a contingent liability on the BIF's financial statements an estimated cost for unresolved legal cases to the extent those losses are considered to be both probable in occurrence and estimable in amount. In addition to these losses, the FDIC's Legal Division has determined that estimated losses for unresolved legal cases as high as $404 million could be incurred.

12. Assessments

The 1990 Act authorizes the FDIC to set assessment rates for the BIF members semiannually, to be applied against a member's average assessment base. The assessment rate for all banks for calendar year 1992 was 0.230 percent (23 cents per $100 of domestic deposits). The 1991 Act authorizes the FDIC to increase assessment rates for BIF-member institutions as needed to ensure that funds are available to satisfy the BIF's obligations.

On September 15, 1992, the FDIC's Board of Directors agreed on a transitional risk-based assessment system that will charge higher rates to those banks that pose greater risks to the BIF. Under the new rule, beginning in January 1993, a bank will pay an assessment rate of between 23 cents and 31 cents per $100 of domestic deposits, depending on its risk classification. To arrive at a risk-based assessment for a particular bank, the FDIC will place each bank in one of nine risk categories using a two-step process based first on capital ratios and then on other relevant information. For calendar year 1993, the FDIC estimates that banks will pay an average rate of about 25.4 cents per $100 domestic deposits.

The Board expects to review premium rates at least once every six months. The new rate structure is intended to provide a transition between the previous flat-rate system and the final risk-related premium system that the 1991 Act mandated be implemented no later than January 1, 1994.

The 1991 Act requires the FDIC to provide a recapitalization schedule, not to exceed 15 years, that outlines projected semiannual assessment rate increases and interim targeted reserve ratios until the designated reserve ratio of 1.25 percent of insured deposits is achieved. The schedule has been published in the *Federal Register*.

13. Interest and Other Insurance Expenses

The BIF incurs interest expense on funds borrowed to finance its resolution activity. Other insurance expenses are incurred by the BIF as a result of payments to insured depositors in closed bank payoff activity and the administration of assistance transactions (including funding "bridge bank" operations).

Interest and Other Insurance Expenses

Dollars in Thousands	December 31 1992	December 31 1991
Interest Expense for:		
Notes payable	$ -0-	$ 12,282
Escrowed funds from resolution transactions	338,153	664,102
FFB borrowings	467,604	237,853
	805,757	**914,237**
Insurance Expense for:		
Resolution transactions	2,569	2,895
Assistance transactions	28,343	129,698
	30,912	**132,593**
	$836,669	**$1,046,830**

14. Pension Benefits, Savings Plans and Accrued Annual Leave

Eligible FDIC employees (i.e., all permanent and temporary employees with appointments exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). The CSRS is a defined benefit plan integrated with the Social Security System in certain cases. Plan benefits are determined on the basis of years of creditable service and compensation levels. The CSRS-covered employees also can participate in a federally sponsored tax-deferred savings plan available to provide additional retirement benefits. The FERS is a three-part plan consisting of a basic defined benefit plan that provides benefits based on years of creditable service and compensation levels, Social Security benefits and a tax-deferred savings plan.

Further, automatic and matching employer contributions are provided up to specified amounts under the FERS. Eligible employees may participate in an FDIC-sponsored tax-deferred savings plan with matching contributions. The BIF pays the employer's portion of the related costs.

Although the BIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported and accounted for by the U.S. Office of Personnel Management.

The liability to employees for accrued annual leave is approximately $29.8 million and $20.4 million at December 31, 1992 and 1991, respectively.

Pension Benefits and Savings Plans Expenses

Dollars in Thousands	December 31 1992	December 31 1991
Civil Service Retirement System	$ 7,804	$ 6,622
Federal Employee Retirement System (Basic Benefit)	23,484	15,667
FDIC Savings Plan	10,250	7,308
Federal Thrift Savings Plan	6,483	3,838
	$48,021	**$33,435**

15. Postretirement Benefit Plans Other than Pensions

The FDIC provides certain health, dental and life insurance coverage for its eligible retirees, the retiree's beneficiaries and covered dependents. Eligible retirees are those who have elected the FDIC's health and/or life insurance program and are entitled to an immediate annuity. However, dental coverage is provided to all retirees regardless of the plan selected.

Health insurance coverage is a comprehensive fee-for-service program underwritten by Blue Cross/Blue Shield of the National Capital Area, with hospital coverage and a major medical wraparound. Dental care is underwritten by Connecticut General Life Insurance Company. The life insurance program is underwritten by Metropolitan Life Insurance Company.

The FDIC contributes toward health insurance premiums at the same rate for both active and retired employees. The FDIC uses a "minimum premium funding arrangement" in which premiums are held in a restricted account. Medical claims and fixed costs are paid to Blue Cross/Blue Shield from this account on a monthly basis. Under this arrangement, the FDIC's liability exposure is limited in any one contract year. The life insurance program provides basic coverage at no cost to retirees and allows converting optional coverages to direct-pay plans with Metropolitan Life Insurance Company. The dental insurance program provides coverage at no cost to retirees.

As part of adopting SFAS No. 106 (see Note 2), the FDIC elected to immediately recognize the accumulated postretirement benefit liability, measured as of January 1, 1992. The accumulated liability, known as the transition obligation, represents that portion of future retiree benefit costs related to service already rendered by both active and retired employees up to the date of adoption. The BIF recorded an expense of $210 million for this liability, which has been reflected in the Statements of Income and the Fund Balance (Deficit) as the cumulative effect of a change in accounting principle for periods prior to 1992. Additionally the BIF has recorded a receivable of $29 million due from the SAIF, the FRF and the RTC for their proportionate share of the total cost.

In addition to the cumulative effect, the BIF's expense for such benefits in 1992 was $29 million, included in the current year administrative expenses. In the absence of the accounting change, the BIF would have recognized postretirement benefits other than pensions of $2 million.

Accumulated Postretirement Benefit Obligation by Participant

Dollars in Thousands	1992
Retirees	$ 67,637
Fully eligible active plan participants	12,159
Other active participants	202,586
	$282,382

The FDIC's net periodic postretirement benefit cost for 1992 consisted of: 1) a service cost that represents the benefits attributable to employee service during the year of $27.2 million and 2) an interest cost on the accumulated postretirement benefit obligation of $16.6 million.

The FDIC's transition obligation and net periodic postretirement benefit cost were $238.6 million and $43.8 million, respectively, as of December 31, 1992, and consisted of the following:

Transition Obligation and Net Periodic Postretirement Benefit Cost

Dollars in Thousands	Transition Obligation	Periodic Expense	Total
Funding from SAIF, FRF and RTC	$ 28,577	$14,825	$ 43,402
BIF	209,973	29,007	238,980
	$238,550	**$43,832**	**$282,382**

For measurement purposes, the FDIC assumed the following: 1) a discount rate of 7 percent; 2) an increase in health costs in 1992 of 16.5 percent, decreasing down to an ultimate rate in 1998 of 9 percent; and 3) an increase in dental costs for 1992 and thereafter of 8 percent. Both the assumed discount rate and health care cost rate have a significant effect on the amount of the obligation and periodic cost reported.

If the health care cost rate were increased one percent, the accumulated postretirement benefit obligation as of December 31, 1992, would have increased by 22.8 percent. The effect of this change on the aggregate of service and interest cost for 1992 would be an increase of 26.1 percent.

The accumulated liability is presented in the Statements of Financial Position - "Accounts payable, accrued and other liabilities." In the absence of the accounting change, this line item would have been $169 million.

16. Commitments

Leases
The BIF currently is sharing in the FDIC's lease space. The BIF's allocated share of lease commitments for office space totals $94.4 million for future years. The agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The BIF recognized leased space expense of $40.7 million and $37.3 million for the years ended December 31, 1992 and 1991, respectively.

Leased Space Fees

Dollars in Thousands

1993	1994	1995	1996	1997
$37,032	$29,157	$18,078	$9,639	$471

Asset Putbacks
Upon resolution of a failed bank, the assets are placed into receivership and may be sold to an acquirer under an agreement that certain assets may be "put back," or resold, to the receivership. The value at which the assets are put back and the time limit to put back assets are defined within each agreement. It is possible that the BIF could be called upon to fund the purchase of any or all of the "unexpired puts" at any time prior to expiration. The FDIC's estimate of the volume of assets that are subject to put under existing agreements is $2.3 billion (see Note 17). The total amount that will be repurchased and the losses resulting from these acquisitions is not reasonably estimable at December 31, 1992.

17. Concentration of Credit Risk

The BIF is counterparty to a group of financial instruments with entities located throughout regions of the United States experiencing problems in both loans and real estate. The BIF's maximum exposure to possible accounting loss, should each counterparty to these instruments fail to perform and any underlying assets prove to be of no value, is shown as follows:

Concentration of Credit Risk

Dollars in Millions

	December 31, 1992						
	South-east	**South-west**	**North-east**	**Mid-west**	**Central**	**West**	**Total**
Net receivables from bank resolutions	$1,855(a)	$6,170	$17,750	$ 919	$303	$648	$27,645
Corporate-owned assets, net	12	1,183	98	-0-	79	89	1,461
Asset putback agreements (off-balance sheet)	-0-	-0-	2,159	167	18	-0-	2,344(b)
Total	**$1,867**	**$7,353**	**$20,007**	**$1,086**	**$400**	**$737**	**$31,450**

(a) The net receivable excludes $179 million of the SAIF's allocated share of loss of maximum credit loss exposure from the Southeast Bank, N.A., Miami, FL resolution. There is no risk that the SAIF will not meet this obligation.

(b) See Note 16 Commitments - *Asset Putbacks*.

Insured Deposits
As of December 31, 1992, the total is approximately $1.9 trillion. This would also be the accounting loss if all the depository institutions were to fail and if any assets acquired as a result of the resolution process provide no recovery.

18. Disclosures about the Fair Value of Financial Instruments

Cash and cash equivalents are short-term, highly liquid investments and are shown at actual or approximate fair value. The fair value of the investment in U.S. Treasury obligations is disclosed in Note 4 and is based on current market prices. The carrying amount of accrued interest receivable on investments, accounts payable, FFB borrowings and liabilities incurred from bank resolutions approximates their fair value due to their short maturities or comparisons with current interest rates.

The majority of the Investment in Corporate-owned Assets, Net, (except real estate) is comprised of various types of financial instruments (investments, loans, accounts receivable, etc.). As with Net Receivables from Bank Resolutions, it was not practicable to estimate fair values. Cash recoveries are primarily from the sale of poor quality assets. They are dependent upon market conditions which vary over time, and can occur unpredictably over many years following resolution. Since the FDIC cannot predict the timing of these cash recoveries reasonably, it is unable to estimate fair value on a discounted cash flow basis. As shown in Note 5, the carrying amount is the original amount advanced net of the estimated allowance for loss, which is estimated cash recovery value.

As stated in Note 11, the carrying amount of the estimated liability for unresolved cases is the total of estimated losses for banks that have not yet failed, but the regulatory process has identified as either equity insolvent or in-substance equity insolvent or likely to become equity insolvent in the foreseeable future. It does not consider discounted future cash flows because the FDIC cannot predict the timing of events with reasonable accuracy. For this reason, the FDIC considers the total estimate of these losses to be the best measure of their fair value.

It was not practicable to estimate the fair value of net receivables from bank resolutions. These assets are unique, there is no established market and they are not intended for sale to the private sector. The FDIC believes that a sale to the private sector would require indeterminate, but substantial, discounts for financial profit and credit or other risks which would significantly increase the cost of bank resolutions to the FDIC. Further, comparisons with other financial instruments do not provide a reliable measure of their fair value. Due to these and other factors, the FDIC cannot determine an appropriate market discount rate and, thus, is unable to estimate fair value on a discounted cash flow basis. As shown in Note 6, the carrying amount is the original amount advanced net of the estimated allowance for losses, which is the estimated cash recovery value.

19. Supplementary Information Relating to the Statements of Cash Flows

For the year ending December 31, 1992, the BIF did not have non-cash financing activity. The non-cash financing activity for the year ending December 31, 1991, included: 1) a decrease in a note payable totaling $92 million when stock owned by the Corporation was repurchased and the proceeds applied to reduce the indebtedness and 2) an increase to FFB borrowings of $13 million when interest was added to outstanding principal.

As stated in the Summary of Significant Accounting Policies (see Note 2, *Escrowed Funds from Resolution Transactions*), the BIF pays the acquirer the difference between failed bank liabilities assumed and assets purchased, plus or minus any premium or discount. The BIF considers the assets purchased portion of this transaction to be a non-cash adjustment. Accordingly, for the Statements of Cash Flows presentation, cash outflows for bank resolutions excludes $12.5 billion in 1992 and $4.9 billion in 1991 for assets purchased.

Reconciliation of Net Income (Loss) to Net Cash Provided by (Used by) Operating Activities

Dollars in Thousands	December 31 1992	1991
Net Income (Loss)	$ 6,927,367	$(11,072,428)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used by) Operating Activities:		
Income Statement Items:		
Provision for insurance losses	(2,259,690)	15,476,192
Amortization of U.S. Treasury securities	10,638	47,042
Interest on Federal Financing Bank borrowings	(53,033)	126,010
Gain on sale of investment	-0-	(3,806)
Depreciation on buildings	3,361	2,667
Change in Assets and Liabilities:		
Decrease in accrued interest receivable on investments and other assets	62,652	191,671
Increase in receivables from bank resolutions	(12,580,132)	(13,149,415)
(Increase) decrease in corporate-owned assets, net	1,099,633	(2,381,880)
Increase (decrease) in accounts payable, accrued and other liabilities	326,014	(2,920)
Increase in liabilities from bank resolutions	7,148,430	939,834
Net Cash Provided by (Used by) Operating Activities	**$ 685,240**	**$ (9,827,033)**

Savings Association Insurance Fund's Financial Statements

Statements of Financial Position

Federal Deposit Insurance Corporation

Savings Association Insurance Fund

Statements of Financial Position

Dollars in Thousands	December 31 1992	1991
Assets		
Cash and cash equivalents, including restricted amounts of $93,571 for 1992 and $56,119 for 1991 (Note 3)	$341,151	$ 56,681
Entrance and exit fees receivable, net (Note 4)	84,896	91,015
Due from the FSLIC Resolution Fund (Note 5)	7,183	109,561
Other assets (Note 6)	37,886	7,507
	471,116	**264,764**
Liabilities and the Fund Balance		
Accounts payable, accrued and other liabilities (Note 7)	10,328	24,151
Estimated liability for unresolved cases (Note 8)	3,700	-0-
Total Liabilities	**14,028**	**24,151**
SAIF-Member Exit Fees and Investment Proceeds Held in Reserve (Note 4)	**178,061**	**146,693**
Fund Balance	**279,027**	**93,920**
	$471,116	**$264,764**

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

Statements of Income and the Fund Balance

Federal Deposit Insurance Corporation

Savings Association Insurance Fund

Statements of Income and the Fund Balance

Dollars in Thousands	For the Year Ended December 31	
	1992	**1991**
Revenue		
Assessments earned (Note 9)	$172,079	$93,530
Interest earned	6,544	2,908
Entrance fee revenue (Note 4)	9	8
Other revenue	11	-0-
	178,643	**96,446**
Expenses and Losses		
Administrative expenses	39,374	42,362
Provision for insurance losses (Note 10)	(14,945)	20,114
Interest expense	(5)	609
	24,424	**63,085**
Net Income Before Funding Transfer and Cumulative Effect of a Change in Accounting Principle	**154,219**	**33,361**
Cumulative effect of accounting change for certain postretirement benefits (Note 12)	(4,558)	-0-
Net Income Before Funding Transfer	**149,661**	**33,361**
Funding Transfer from the FSLIC Resolution Fund	35,446	42,362
Net Income	**185,107**	**75,723**
Fund Balance - Beginning	**93,920**	**18,197**
Fund Balance - Ending	**$279,027**	**$93,920**

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

Statements of Cash Flows

Federal Deposit Insurance Corporation

Savings Association Insurance Fund

Statements of Cash Flows

Dollars in Thousands	For the Year Ended December 31 1992	1991
Cash Flows from Operating Activities		
Cash provided from:		
Assessments	$265,365	$ -0-
Interest	9,451	-0-
Entrance and exit fee collections (Note 4)	34,798	40,375
Administrative expenses funded by the FSLIC Resolution Fund	29,561	40,650
Interest on exit fee collections held in reserve	2,698	2,207
Cash used for:		
Administrative expenses	(36,685)	(43,086)
Disbursements for "Oakar" bank resolutions (Note 6)	(20,114)	-0-
Interest paid on liabilities incurred from "Oakar" bank resolutions (Note 6)	(604)	-0-
Net Cash Provided by Operating Activities (Note 16)	**284,470**	**40,146**
Cash and Cash Equivalents - Beginning	**56,681**	**16,535**
Cash and Cash Equivalents - Ending	**$341,151**	**$56,681**

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

Notes to the Financial Statements

1. Legislative History and Reform

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was enacted to reform, recapitalize and consolidate the federal deposit insurance system. The FIRREA created the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF) and the FSLIC Resolution Fund (FRF). It also designated the Federal Deposit Insurance Corporation (FDIC) as the administrator of these three funds. The BIF insures the deposits of all BIF-member institutions (normally commercial or savings banks) and the SAIF insures the deposits of all SAIF-member institutions (normally thrifts). The FRF is responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC). All three funds are maintained separately to carry out their respective mandates.

The FIRREA created the Resolution Trust Corporation (RTC), which manages and resolves all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed during the period January 1, 1989, through August 8, 1992. The Resolution Trust Corporation Refinancing, Restructuring and Improvement Act of 1991 (1991 RTC Act) extended the RTC's general resolution responsibility through September 30, 1993, and beyond that date for those institutions previously placed under RTC control.

The Resolution Funding Corporation (REFCORP) was established by the FIRREA to provide funds to the RTC for use in the thrift industry bailout. The Financing Corporation (FICO), established under the Competitive Equality Banking Act of 1987, is a mixed-ownership government corporation whose sole purpose was to function as a financing vehicle for the FSLIC. However, effective December 12, 1991, as provided by the Resolution Trust Corporation Thrift Depositor Protection Reform Act of 1991, the FICO's authority to issue obligations as a means of financing for the FRF was terminated.

The Omnibus Budget Reconciliation Act of 1990 (1990 Act) removed caps on assessment rate increases and allowed for semiannual rate increases. In addition, this Act permitted the FDIC, on behalf of the BIF and the SAIF, to borrow from the Federal Financing Bank (FFB) on terms and conditions determined by the FFB.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (1991 Act) was enacted to further strengthen the insurance funds administered by the FDIC. The FDIC's authority to borrow from the U.S. Treasury, on behalf of the BIF and the SAIF, to cover insurance losses was increased from $5 billion to $30 billion. However, the FDIC cannot incur any additional obligation for the BIF or the SAIF if incurring the obligation would result in the amount of total obligations in the respective Fund exceeding the sum of: 1) its cash and cash equivalents; 2) the amount equal to 90 percent of the fair-market value of its other assets; and 3) the total amount authorized to be borrowed from the U.S. Treasury (excluding FFB borrowings). In 1992, for purposes of calculating the maximum obligation limitation, the FDIC allocated the total authorized borrowings of $30 billion to the BIF.

The 1991 Act requires that the FDIC repay U.S. Treasury borrowings under the $30 billion authorization from assessment revenues. The FDIC must provide the U.S. Treasury with a repayment schedule demonstrating that future assessment revenues are adequate to repay principal borrowed and pay interest due.

Operations of the SAIF
The primary purpose of the SAIF is to insure the deposits and to protect the depositors of insured thrifts. In this capacity, the SAIF currently has financial responsibility for: 1) all federally insured depository institutions that became members of the SAIF after August 8, 1989, for which the RTC does not have resolution authority and 2) all deposits insured by the SAIF that are held by BIF-member banks, so-called "Oakar" banks, created pursuant to the "Oakar amendment" provisions found in Section 5(d)(3) of the Federal Deposit Insurance Act. After September 30, 1993, the SAIF will assume financial responsibility for all SAIF-member depository institutions that had not previously been placed under the RTC's control. Any administrative facilities or supplies remaining upon the dissolution of the FRF will be transferred to the SAIF.

The "Oakar amendment" provisions referred to above allow, with approval of the appropriate federal regulatory authority, any insured depository institution to merge, consolidate or transfer the assets and liabilities of an acquired institution without changing insurance coverage for the acquired deposits. Such acquired deposits continue to be either SAIF-insured deposits and assessed at the SAIF assessment rate or BIF-insured deposits and assessed at the BIF assessment rate. In addition, any losses resulting from the failure of these institutions are to be allocated between the BIF and the SAIF based on the respective dollar amounts of the institution's BIF-insured and SAIF-insured deposits.

The SAIF is funded from the following sources: 1) reimbursement by the FRF of administrative and supervisory expenses incurred between August 9, 1989, and September 30, 1992 (these expenses have priority over other obligations of the FRF); 2) SAIF-member assessments from "Oakar" banks; 3) other SAIF assessments that are not required for the FICO, the REFCORP (see Note 2) or the FRF; 4) U.S. Treasury payments for the amount, if any, needed to supplement assessment revenue to reach a $2 billion level for each of the fiscal years 1993 through 2000 contingent upon appropriations to the U.S. Treasury for that purpose; 5) U.S. Treasury payments for any additional amounts that may be necessary to ensure that the SAIF has a statutory specified minimum net worth for each of the fiscal years 1992 through 2000 contingent upon appropriations to the U.S. Treasury for that purpose; 6) discretionary payments by the RTC; 7) Federal Home Loan Bank borrowings; and 8) U.S. Treasury and FFB borrowings.

2. Summary of Significant Accounting Policies

Assessment Revenue Recognition

The FICO and, through December 31, 1992, the FRF have priority over the SAIF for receiving and utilizing SAIF-member assessments to ensure availability of funds for specific operational activities. Accordingly, the SAIF recognizes as assessment revenue only that portion of SAIF-member assessments not required by the FICO or the FRF. The REFCORP was established by the FIRREA to provide funds to the RTC and was entitled to SAIF-member assessments not required by the FICO for the repayment of its long-term debt issuance. The REFCORP notified the FDIC on January 15, 1991, that they have no further plans to issue debt and will no longer require funds from the FRF. Assessments on SAIF-insured deposits held by "Oakar" banks are retained in the SAIF and, thus, are not subject to draws by the FICO or the FRF (see Notes 5 and 9).

Litigation Losses
The SAIF accrues, as a charge to current period operations, an estimate of probable losses from litigation against the SAIF in its corporate capacity. The FDIC's Legal Division recommends these estimates on a case-by-case basis.

Cost Allocations Among Funds
Certain operating expenses (including personnel, administrative and other indirect expenses) not directly charged to each Fund under the FDIC's management are allocated on the basis of the relative degree to which the operating expenses were incurred by the Funds.

The FDIC includes the cost of facilities used in operations in the BIF's financial statements. The BIF charges the SAIF a rental fee representing an allocated share of its annual depreciation. The cost of furniture, fixtures and equipment purchased by the FDIC on behalf of the three Funds under its administration is allocated among these Funds on a pro rata basis. The SAIF expenses its share of these allocated costs at the time of acquisition because of their immaterial amounts.

Postretirement Benefits Other Than Pensions
Effective January 1, 1992, the FDIC implemented the requirements of the Statement of Financial Accounting Standards (SFAS) No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions." This new standard mandates the accrual method of accounting for postretirement benefits other than pensions based on actuarially determined costs to be recognized during employees' years of active service. This is a significant change from the FDIC's previous policy of recognizing these costs in the year the benefits were provided (i.e., the cash basis). In adopting the accounting provisions of the new standard, the FDIC has concluded that the SAIF will fund its yearly charge for these expenses but the BIF will provide the accounting and administration of this liability on behalf of the SAIF.

Related Parties
The nature of related parties and descriptions of related party transactions are disclosed throughout the financial statements and footnotes.

Reclassifications
Reclassifications have been made in the 1991 Financial Statements to conform to the presentation used in 1992.

Restatement
The financial statements for 1991 were restated due to the correction of an error. The error occurred primarily in the allocation of assessment revenues from "Oakar" banks between the BIF and the SAIF. Assessment revenues for the SAIF were understated by $5.6 million in 1991 and $1.2 million in 1990. This restatement reflects an adjusted beginning fund balance for correction of the 1990 error.

3. Cash and Cash Equivalents

The SAIF considers cash equivalents to be short-term, highly liquid investments with original maturities of three months or less. Substantially all the restricted cash and cash equivalent balances are comprised of the SAIF exit fees collected plus interest earned on exit fees. These funds may only be used to meet the SAIF's potential obligation to the FICO (see Note 4).

Cash and Cash Equivalents

Dollars in Thousands	December 31	
	1992	1991
Cash	$ 198	$ 491
One-day Special Treasury Certificates	340,953	56,190
	$341,151	**$56,681**

4. Entrance and Exit Fees Receivable, Net

The SAIF will receive entrance and exit fees for conversion transactions in which an insured depository institution converts from the BIF to the SAIF (resulting in an entrance fee) or from the SAIF to the BIF (resulting in an exit fee). Interim regulations approved by the FDIC's Board of Directors and published in the *Federal Register* on March 21, 1990, directed that exit fees paid to the SAIF be held in a reserve account until the FDIC and the Secretary of the Treasury determine that it is no longer necessary to reserve such funds for the payment of interest on obligations previously issued by the FICO. The exit fee collections are invested in Treasury securities and are held in reserve pending determination of ownership. Interest received on these investments was $2.7 million and $2.2 million for 1992 and 1991, respectively.

The SAIF records entrance fees as revenue after the BIF-to-SAIF conversion transaction is consummated. However, due to the requirement that the SAIF exit fees be held in a reserve account, thereby restricting the SAIF's use of such proceeds, the SAIF does not recognize exit fees, nor any interest earned, as revenue. Instead, the SAIF recognizes the consummation of a SAIF-to-BIF conversion transaction by establishing a receivable from the institution and an identical reserve account to recognize the potential payment to the FICO. As exit fee proceeds are received, the receivable is reduced while the reserve remains pending the determination of funding requirements for interest payments on the FICO's obligations.

Within specified parameters, the interim regulations allow an acquiring institution to pay its entrance/exit fees interest free, in equal annual installments over a period of not more than five years. When an institution elects such a payment plan, the SAIF records the entrance or exit fee receivable at its present value. The discount rates (current value of funds) for 1992 and 1991 were 6 percent and 8 percent, respectively.

Entrance and Exit Fees Receivable, Net

Dollars in Thousands

	Beginning Balance 01/01/92	**New Receivables**	**Collections**	**Net Change in Unamortized Discount**	**Ending Balance 12/31/92**
Entrance fees	$ -0-	$ 9	$ (9)	$ -0-	$ -0-
Exit fees	91,015	26,163	(34,789)	2,507	84,896
	$91,015	**$26,172**	**$(34,798)**	**$2,507**	**$84,896**

Entrance and Exit Fees Receivable, Net - Continued

Dollars in Thousands

	Beginning Balance 01/01/91	New Receivables	Collections	Net Change in Unamortized Discount	Ending Balance 12/31/91
Entrance fees	$ -0-	$ 8	$ (8)	$ -0-	$ -0-
Exit fees	49,384	87,985	(40,367)	(5,987)	91,015
	$49,384	**$87,993**	**$(40,375)**	**$(5,987)**	**$91,015**

5. Due from the FSLIC Resolution Fund

The FDIC's Legal Division rendered an opinion in March 1992 that assessments paid by "Oakar" banks on SAIF-insured deposits should be retained by the SAIF and that income recognition (by the SAIF) should be retroactive to the FIRREA's enactment date. As of December 31, 1991, the SAIF recorded a receivable from the FRF of $105 million for "Oakar" assessment revenue and $2.9 million in accumulated interest earned on the assessment proceeds while being held by the FRF.

The SAIF establishes an accounts receivable from the FRF for unfunded administrative expenses, including its share of SFAS No. 106 cost, required to be funded by the FRF through September 30, 1992.

Due from FSLIC Resolution Fund

Dollars in Thousands

	December 31	
	1992	**1991**
Postretirement benefits other than pensions	$5,755	$ -0-
Administrative expenses	1,428	1,711
"Oakar" assessment revenue plus interest	-0-	107,850
	$7,183	**$109,561**

6. Other Assets

On September 19, 1991, Southeast Bank, N.A., Miami, Florida, which held deposits insured by the BIF and the SAIF pursuant to the "Oakar Amendment" provisions (as explained in Note 1), was closed by its chartering authority. The BIF, which provided the funds and administers the resolution of Southeast Bank, N.A., initially estimated the loss for the failure of Southeast Bank, N.A., and its affiliate Southeast Bank of West Florida, Pensacola, Florida, at $178 million of which the SAIF has responsibility for $20 million (its allocated share of the estimated loss incurred). Accordingly, in 1991, the SAIF established a payable to the BIF for its estimated transaction cost. In 1992, the SAIF transferred $20 million plus $604 thousand in interest expense to the BIF. In late 1992, the BIF reduced its estimate of total resolution cost for this transaction from $178 million to $13 million. This will result in a refund to the SAIF of $18.6 million. Accordingly, the SAIF established a receivable from the BIF for the reduction in the estimated transaction cost. The BIF also owes the SAIF $18.4 million for assessment revenues as a result of the erroneous allocation of assessments from "Oakar" banks for the years 1990 through 1992 (see Note 2).

Other Assets

Dollars in Thousands	December 31	
	1992	1991
Accounts receivable	$ 802	$ 723
Due from the Bank Insurance Fund	37,084	6,784
	$37,886	**$7,507**

7. Accounts Payable, Accrued and Other Liabilities

Accounts Payable, Accrued and Other Liabilities

Dollars in Thousands	December 31	
	1992	1991
Miscellaneous payables	$ 4,174	$ 3,428
Due to the Bank Insurance Fund	6,154	20,723
	$10,328	**$24,151**

8. Estimated Liabilities for:

Unresolved Cases

The SAIF records as a contingent liability on its financial statements an estimated loss for its probable cost for thrifts or "Oakar" banks that have not yet failed, but the regulatory process has identified as either equity insolvent or in-substance equity insolvent or likely to become in-substance equity insolvent within the foreseeable future. The FDIC relies on this finding regarding solvency as the determining factor in defining the existence of the "accountable event" that triggers loss recognition under generally accepted accounting principles.

As with any of its contingent liabilities, the FDIC cannot predict the timing of events with reasonable accuracy. These liabilities and a corresponding reduction in the Fund Balance are recognized in the period in which they are deemed probable and reasonably estimable. It should be noted, however, that future assessment revenues will be available to the SAIF to recover some or all of these losses, and that these amounts have not been reflected as a reduction in the losses.

The estimated liability for unresolved cases is derived in part from estimates of recoveries from the sale of the assets of these probable thrift or "Oakar" bank failures. The estimated cash recoveries from the sale of assets are subject to uncertainties because of changing economic conditions affecting real estate assets now in the marketplace. This could understate the ultimate costs to the SAIF from probable "Oakar" bank or thrift failures.

The Federal Home Loan Bank Act, as amended by the FIRREA and the 1991 RTC Act, assigned the RTC responsibility for resolving federally insured thrifts previously insured by the FSLIC that are placed in conservatorship or receivership through September 30, 1993. Effective October 1, 1993, the SAIF will be responsible for resolving all federally insured thrifts, except for certain thrifts that had previously been under RTC conservatorship or receivership.

The Office of Thrift Supervision (OTS) estimates that 35 thrifts with $31 billion in total assets will probably fail and require resolution by September 30, 1993, at a cost the RTC estimates will be approximately $4.8 billion. In addition, the OTS estimates that 52 thrifts with $19 billion in total assets may possibly fail by March 31, 1994, at a cost the RTC estimates will be about $2 billion. To the extent that the RTC does not receive funding to carry out its responsibilities through September 30, 1993, the resolutions projected by the OTS will become the SAIF's responsibility.

Litigation Losses

The FDIC records as a contingent liability on the SAIF's financial statements an estimated loss for unresolved legal cases to the extent those losses are considered to be both probable in occurrence and estimable in amount. As of December 31, 1991, no litigation was pending against the SAIF. However, as of December 31, 1992, the FDIC's Legal Division has determined that estimated losses for unresolved legal cases as high as $13.6 million could be incurred.

9. Assessments

The 1990 Act authorizes the FDIC to set assessment rates for the SAIF members semiannually, to be applied against a member's average assessment base. The assessment rate for all thrifts for calendar year 1992 was 0.230 percent (23 cents per $100 of domestic deposits). The 1991 Act authorizes the FDIC to increase assessment rates for SAIF-member institutions as needed to ensure that funds are available to satisfy the SAIF's obligations.

On September 15, 1992, the FDIC's Board of Directors agreed on a transitional risk-based assessment system that will charge higher rates to those thrifts that pose greater risks to the SAIF. Under the new rule, beginning in January 1993 a thrift will pay an assessment rate of between 23 cents and 31 cents per $100 of domestic deposits, depending on its risk classification. To arrive at a risk-based assessment for a particular thrift, the FDIC will place each thrift in one of nine risk categories using a two-step process based first on capital ratios and then on other relevant information. For calendar year 1993, the FDIC estimates that thrifts will pay an average rate of about 25.9 cents per $100 of domestic deposits.

The Board expects to review premium rates at least once every six months. The new rate structure is intended to provide a transition between the previous flat-rate system and the final risk-related premium system that the 1991 Act mandated to be implemented no later than January 1, 1994.

Secondary Reserve Offset

The FIRREA authorized insured thrifts to offset against any assessment premiums their pro rata share of amounts that were previously part of the FSLIC's "Secondary Reserve." The Secondary Reserve represented premium prepayments that insured thrifts were required by law to deposit with the FSLIC during the period 1961 through 1973 to quickly increase the FSLIC's insurance reserves to absorb losses if the regular assessments were insufficient. The allowable offset is limited to a maximum of 20 percent of an institution's remaining pro rata share for any calendar year beginning before 1993. After calendar year 1992, there is no limitation on the remaining offset amount.

The Secondary Reserve offset serves to reduce the gross SAIF-member assessments due (excluding assessments from "Oakar" banks), thereby reducing the assessment premiums available to the FICO, the FRF and the SAIF. The remaining Secondary Reserve credit was $197 million and $298 million at year-end 1992 and 1991, respectively.

SAIF Assessments

Dollars in Thousands	December 31	
	1992	**1991**
SAIF-member assessments	$1,668,011	$1,868,219
Less: Secondary Reserve offset/other adjustments/credits	(51,153)	(72,992)
FICO assessment	(772,300)	(756,700)
FRF assessment	(844,558)	(1,038,527)
SAIF-Member Assessments Earned, (Net)	**-0-**	**-0-**
SAIF assessments from "Oakar" banks	172,079	93,530
SAIF Assessments Earned	**$ 172,079**	**$ 93,530**

10. Provision for Insurance Losses

Provision for Insurance Losses

Dollars in Thousands	December 31	
	1992	**1991**
SAIF's allocated share of loss from failure of Southeast Bank, N.A., Miami, FL (see Note 6)	$(18,645)	$20,114
Estimated liability for unresolved cases (see Note 8)	3,700	-0-
	$(14,945)	**$20,114**

11. Pension Benefits, Savings Plans and Accrued Annual Leave

Eligible FDIC employees (i.e., all permanent and temporary employees with an appointment exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). The CSRS is a defined benefit plan integrated with the Social Security System in certain cases. Plan benefits are determined on the basis of years of creditable service and compensation levels. The CSRS-covered employees also can participate in a federally sponsored tax-deferred savings plan available to provide additional retirement benefits. The FERS is a three-part plan consisting of a basic defined benefit plan that provides benefits based on years of creditable service and compensation levels, Social Security benefits and a tax-deferred savings plan. Further, automatic and matching employer contributions are provided up to specified amounts under the FERS. Eligible employees may participate in an FDIC-sponsored tax-deferred savings plan with matching contributions. The SAIF pays the employer's portion of the related costs.

Although the SAIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported and accounted for by the U.S. Office of Personnel Management.

The liability to employees for accrued annual leave is approximately $958 thousand and $1.3 million at December 31, 1992 and 1991, respectively.

Pension Benefits and Savings Plans Expenses

Dollars in Thousands	December 31	
	1992	1991
Civil Service Retirement System	$ 616	$ 771
Federal Employee Retirement System (Basic Benefit)	1,254	1,303
FDIC Savings Plan	646	754
Federal Thrift Savings Plan	341	318
	$2,857	$3,146

12. Postretirement Benefit Plans Other than Pensions

The FDIC provides certain health, dental and life insurance coverage for its eligible retirees, the retiree's beneficiaries and covered dependents. Eligible retirees are those who have elected the FDIC's health and/or life insurance program and are entitled to an immediate annuity. However, dental coverage is provided to all retirees regardless of the plan selected.

Health insurance coverage is a comprehensive fee-for-service program underwritten by Blue Cross/Blue Shield of the National Capital Area, with hospital coverage and a major medical wraparound. Dental care is underwritten by Connecticut General Life Insurance Company. The life insurance program is underwritten by Metropolitan Life Insurance Company.

The FDIC contributes toward health insurance premiums at the same rate for both active and retired employees. The FDIC uses a "minimum premium funding arrangement" in which premiums are held in a restricted account. Medical claims and fixed costs are paid to Blue Cross/Blue Shield from this account on a monthly basis. Under this arrangement, the FDIC's liability exposure is limited in any one contract year. The life insurance program provides for basic coverage at no cost to retirees and allows converting optional coverages to direct-pay plans with Metropolitan Life Insurance Company. The dental insurance program provides coverage at no cost to retirees.

As part of adopting SFAS No. 106 (see Note 2), the FDIC elected to immediately recognize the accumulated postretirement benefit liability, measured as of January 1, 1992. The accumulated liability, known as the transition obligation, represents that portion of future retiree benefits costs related to service already rendered by both active and retired employees up to the date of adoption. The SAIF recorded an expense of $4.6 million for this liability, which has been reflected in the Statements of Income and the Fund Balance as the cumulative effect of a change in accounting principle for periods prior to 1992.

In addition to the cumulative effect, the SAIF's expense for such benefits in 1992 was $1.6 million, included in the current year administrative expenses. In the absence of the accounting change, the SAIF would have recognized postretirement benefits other than pensions of $47 thousand.

For measurement purposes, the FDIC assumed the following: 1) a discount rate of 7 percent; 2) an increase in health costs in 1992 of 16.5 percent, decreasing down to an ultimate rate in 1998 of 9 percent; and 3) an increase in dental costs in 1992 and thereafter of 8 percent. Both the assumed discount rate and health care cost rate have a significant effect on the amount of the obligation and periodic cost reported.

If the health care cost rate were increased one percent, the accumulated postretirement benefit obligation as of December 31, 1992, would have increased by 22.8 percent. The effect of this change on the aggregate of service and interest cost for 1992 would be an increase of 26.1 percent.

Net Periodic Postretirement Benefit Cost

Dollars in Thousands	**December 31 1992**
Service cost (benefits attributed to employee service during the year)	$ 991
Interest cost on accumulated postretirement benefit obligation	605
Net Periodic Postretirement Cost Before Funding Transfer	**1,596**
Funds transferred from the FSLIC Resolution Fund	(1,197)
	$ 399

13. Commitments

The SAIF currently is sharing in the FDIC's lease space. The SAIF's allocated share of lease commitments for office space totals $3.2 million for future years. The agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The SAIF recognized leased space expense of $1.8 million and $1.7 million for the years ended December 31, 1992 and 1991, respectively.

Leased Space Fees

Dollars in Thousands

1993	1994	1995	1996	1997
$1,108	$903	$630	$503	$9

14. Concentration of Credit Risk

The SAIF is counterparty to a financial instrument with an entity located in the Southeast region of the United States experiencing problems in both loans and real estate. The SAIF's maximum exposure to possible accounting loss for this instrument is $179 million.

Insured Deposits
As of December 31, 1992, the total is approximately $729 billion. This would also be the accounting loss if all the depository institutions were to fail and if any assets acquired as a result of the resolution process provide no recovery.

15. Disclosures about the Fair Value of Financial Instruments

Cash and cash equivalents are short-term, highly liquid investments and are shown at actual or approximate fair value. The carrying amount of Due from the FSLIC Resolution Fund, other assets, and accounts payable and other liabilities approximates their fair value due to their short maturities.

As explained in Note 4, the entrance and exit fees receivable is net of discounts calculated using an interest rate comparable to the U.S. Treasury rates for government securities at the time the receivables are accrued. The fair value of these receivables at December 31, 1992 and 1991, is $85 million and $91 million, respectively, and approximates the amounts presented on the Statements of Financial Position.

As stated in Note 8, the carrying amount of the estimated liability for unresolved cases is the total of losses from thrifts that have not yet failed, but the regulatory process has identified as probably requiring resolution in the near future. It does not consider discounted future cash flows because the FDIC cannot predict the timing of events with reasonable accuracy. For this reason, the FDIC considers the total estimate of these losses to be the best measure of their fair value.

16. Supplementary Information Relating to the Statements of Cash Flows

Reconciliation of Net Income to Net Cash Provided by Operating Activities

Dollars in Thousands	**December 31**	
	1992	**1991**
Net Income	$185,107	$ 75,723
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Income Statement Items:		
Provision for insurance losses	(14,945)	20,114
Interest expense	(5)	609
Change in Assets and Liabilities:		
(Increase) decrease in amount due from the FSLIC Resolution Fund	102,378	(92,573)
(Increase) decrease in entrance and exit fees receivable	6,119	(41,631)
Increase in other assets	(11,734)	(5,663)
Decrease in accounts payable, accrued and other liabilities	(13,818)	(672)
Increase in exit fees and investment proceeds held in reserve	31,368	84,239
Net Cash Provided by Operating Activities	**$284,470**	**$ 40,146**

FSLIC Resolution Fund's Financial Statements

Statements of Financial Position

Federal Deposit Insurance Corporation

FSLIC Resolution Fund

Statements of Financial Position

Dollars in Thousands	December 31 1992	1991
Assets		
Cash and cash equivalents (Note 3)	$ 1,787,578	$ 767,339
Net receivables from thrift resolutions (Note 4)	2,004,951	2,932,774
Investment in corporate-owned assets, net (Note 5)	544,746	586,970
Other assets, net (Note 6)	45,729	14,864
	4,383,004	**4,301,947**
Liabilities		
Accounts payable, accrued and other liabilities	157,545	172,432
Liabilities incurred from thrift resolutions (Note 7)	3,495,386	11,810,096
Estimated liabilities for:		
Assistance agreements (Note 8)	2,346,688	7,410,621
Litigation losses (Note 8)	73,404	167,585
Total Liabilities	**6,073,023**	**19,560,734**
Resolution Equity (Note 10)		
Contributed capital	42,028,000	28,235,000
Accumulated deficit	(43,718,019)	(43,493,787)
Total Resolution Equity	**(1,690,019)**	**(15,258,787)**
	$ 4,383,004	**$ 4,301,947**

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

Statements of Income and Accumulated Deficit

Federal Deposit Insurance Corporation

FSLIC Resolution Fund

Statements of Income and Accumulated Deficit

Dollars in Thousands	For the Year Ended December 31 1992	1991
Revenue		
Assessments earned (Note 11)	$ 844,558	$ 1,038,527
Interest on U.S. Treasury obligations	28,441	29,599
Other interest	2,068	13,826
Revenue from corporate-owned assets	336,730	188,257
Other revenue	35,377	29,138
	1,247,174	**1,299,347**
Expenses and Losses		
Administrative expenses	34,125	42,004
Interest expense	397,016	968,774
Corporate-owned asset expenses	128,185	117,923
Provision for losses (Note 9)	799,105	1,669,366
Other expenses	71,637	69,446
	1,430,068	**2,867,513**
Net Loss Before Funding Transfer and Cumulative Effect of a Change in Accounting Principle	**(182,894)**	**(1,568,166)**
Cumulative effect of accounting change for certain postretirement benefits (Note 13)	(5,892)	-0-
Net Loss Before Funding Transfer	**(188,786)**	**(1,568,166)**
Funding Transfer to the Savings Association Insurance Fund	(35,446)	(42,362)
Net Loss	**(224,232)**	**(1,610,528)**
Accumulated Deficit - Beginning	**(43,493,787)**	**(41,883,259)**
Accumulated Deficit - Ending	**$(43,718,019)**	**$(43,493,787)**

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

Statements of Cash Flows

Federal Deposit Insurance Corporation

FSLIC Resolution Fund

Statements of Cash Flows

Dollars in Thousands	For the Year Ended December 31 1992	1991
Cash Flows from Operating Activities		
Cash provided from:		
Assessments	$ 844,558	$ 1,050,275
Interest on U.S. Treasury obligations	28,484	30,031
Recoveries from thrift resolutions	1,159,964	1,923,914
Recoveries from corporate-owned assets	505,492	493,506
Miscellaneous receipts	125,914	148,490
Cash used for:		
Administrative expenses	(20,267)	(60,657)
Interest paid on indebtedness incurred from thrift resolutions	(477,306)	(1,262,472)
Disbursements for thrift resolutions	(6,392,868)	(10,126,068)
Disbursements for corporate-owned assets	(234,852)	(117,055)
Miscellaneous disbursements	(206,997)	-0-
Net Cash Used by Operating Activities Before Funding Transfer	**(4,667,878)**	**(7,920,036)**
Funding transfer to the Savings Association Insurance Fund	(29,561)	(40,650)
Net Cash Used by Operating Activities (Note 17)	**(4,697,439)**	**(7,960,686)**
Cash Flows from Investing Activities	**-0-**	**-0-**
Cash Flows from Financing Activities		
Cash provided from:		
U.S. Treasury payments	13,793,000	20,482,000
Cash used for:		
Payments of indebtedness incurred from thrift resolutions	(8,075,322)	(13,010,041)
Net Cash Provided by Financing Activities	**5,717,678**	**7,471,959**
Net Increase (Decrease) in Cash and Cash Equivalents	**1,020,239**	**(488,727)**
Cash and Cash Equivalents - Beginning	**767,339**	**1,256,066**
Cash and Cash Equivalents - Ending	**$ 1,787,578**	**$ 767,339**

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

Notes to the Financial Statements

1. Legislative History and Reform

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was enacted to reform, recapitalize and consolidate the federal deposit insurance system. The FIRREA created the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF) and the FSLIC Resolution Fund (FRF). It also designated the Federal Deposit Insurance Corporation (FDIC) as the administrator of these three funds. The BIF insures the deposits of all BIF-member institutions (normally commercial or savings banks) and the SAIF insures the deposits of all SAIF-member institutions (normally thrifts). The FRF is responsible for winding up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC). All three funds are maintained separately to carry out their respective mandates.

The FIRREA created the Resolution Trust Corporation (RTC), which manages and resolves all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed during the period January 1, 1989, through August 8, 1992. The Resolution Trust Corporation Refinancing, Restructuring and Improvement Act of 1991 (1991 RTC Act) extended the RTC's general resolution responsibility through September 30, 1993, and beyond for those institutions previously placed under the RTC's control.

The Resolution Funding Corporation (REFCORP) was established by the FIRREA to provide funds to the RTC for use in the thrift industry bailout. The Financing Corporation (FICO), established under the Competitive Equality Banking Act of 1987, is a mixed-ownership government corporation whose sole purpose was to function as a financing vehicle for the FSLIC. However, effective December 12, 1991, as provided by the Resolution Trust Corporation Thrift Depositor Protection Reform Act of 1991, the FICO's authority to issue obligations as a means of financing for the FRF was terminated.

Operations of the FRF

The primary purpose of the FRF is to liquidate the assets and contractual obligations of the now defunct FSLIC. The FRF will complete the resolution of all thrifts that failed before January 1, 1989, or were assisted before August 9, 1989. The FIRREA provided that the RTC manage any receiverships resulting from thrift failures that occurred after January 1989 but prior to the enactment of the FIRREA. There were seven such receiverships that are included in the FRF financial statements because the FRF remains financially responsible for the losses associated with these resolution cases.

The FRF is funded from the following sources, to the extent funds are needed, in this order: 1) income earned on, and proceeds from the disposition of, assets of the FRF; 2) liquidating dividends and payments made on claims received by the FRF from receiverships to the extent such funds are not required by the REFCORP or the FICO; and 3) amounts assessed against the SAIF's members by the FDIC that are not claimed by the FICO or by the REFCORP during the period from inception (August 9, 1989) through December 31, 1992. Excluded are assessments paid by BIF-member banks, so-called "Oakar" banks, created pursuant to the "Oakar amendment" provisions found in Section 5(d)(3) of the Federal Deposit Insurance Act (FDI Act) on SAIF-insured deposits. If these sources are insufficient to satisfy the liabilities of the FRF, payments will be made from the U.S. Treasury in amounts necessary, as are appropriated by the Congress, to carry out the purpose of the FRF.

The 1991 RTC Act amended the FIRREA by extending the FRF funding of the SAIF administrative and supervisory expenses through September 30, 1992. Upon termination of the RTC (not later than December 31, 1996), all assets and liabilities of the RTC will be transferred to the FRF, after which all future net proceeds from the sale of such assets will be transferred to the REFCORP for interest payments. The FRF will continue until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied. Upon the dissolution of the FRF, any funds remaining will be paid to the U.S. Treasury. Any administrative facilities and supplies will be transferred to the SAIF.

2. Summary of Significant Accounting Policies

General

These financial statements pertain to the financial position, results of operations and cash flows of the FRF. These statements do not include reporting for assets and liabilities of closed insured thrift institutions for which the FRF acts as receiver or liquidating agent. Periodic and final accountability reports of the FRF's activities as receiver or liquidating agent are furnished to courts, supervisory authorities and others as required.

Allowance for Losses on Receivables and Investment in Corporate-Owned Assets

The FRF records as a receivable the amounts advanced for assisting and closing thrift institutions. The FRF records as an asset the amounts advanced for investment in corporate-owned assets. Any related allowance for loss represents the difference between the funds advanced and the expected repayment. The latter is based on the estimated cash recoveries from the assets of the assisted or failed thrift institution, net of all estimated liquidation costs.

Estimated Liabilities for Assistance Agreements

The FRF establishes an estimated liability for probable future assistance payable to acquirers of troubled thrifts under its financial assistance agreements. Such estimates are presented on a discounted basis.

Litigation Losses

The FRF accrues, as a charge to current period operations, an estimate of probable losses from litigation against the FRF in both its corporate and receivership capacities. The FDIC's Legal Division recommends these estimates on a case-by-case basis.

Receivership Administration
The FRF is responsible for controlling and disposing of the assets of failed institutions in an orderly and efficient manner. The assets, and the claims against those assets, are accounted for separately to ensure that liquidation proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Indirect liquidation expenses incurred by the FRF on behalf of the receiverships are recovered from them through a cost recovery process.

Cost Allocations Among Funds
Certain operating expenses (including personnel, administrative and other indirect expenses) not directly charged to each Fund under the FDIC's management are allocated on the basis of the relative degree to which the operating expenses were incurred by the Funds.

The FDIC includes the cost of facilities used in operations in the BIF's financial statements. The BIF charges the FRF a rental fee representing an allocated share of its annual depreciation. The cost of furniture, fixtures and equipment purchased by the FDIC on behalf of the three Funds under its administration is allocated among these Funds on a pro rata basis. The FRF expenses its share of these allocated costs at the time of acquisition because of their immaterial amounts.

Postretirement Benefit Plans Other Than Pensions
Effective January 1, 1992, the FDIC implemented the requirements of the Statement of Financial Accounting Standards (SFAS) No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions." This new standard mandates the accrual method of accounting for postretirement benefits other than pensions based on actuarially determined costs to be recognized during employees' years of active service. This is a significant change from the FDIC's previous policy of recognizing these costs in the year the benefits were provided (i.e., the cash basis). In adopting the accounting provisions of the new standard, the FDIC has concluded that the FRF will fund its yearly charge for these expenses but the BIF will provide the accounting and administration of this liability on behalf of the FRF.

Assessment Revenue Recognition

The FICO and, through December 31, 1992, the FRF have priority over the SAIF for receiving and utilizing SAIF-member assessments to ensure availability of funds for specific operational activities. Accordingly, the FRF recognizes as assessment revenue only that portion of SAIF-member assessments not required by the FICO. Assessments on SAIF-insured deposits held by "Oakar" banks are retained in the SAIF and, thus, are not subject to draws by the FICO or the FRF (see Notes 1 and 11).

Wholly Owned Subsidiary

The Federal Asset Disposition Association (FADA) is a wholly owned subsidiary of the FRF. The FADA was placed in receivership on February 5, 1990. However, due to outstanding litigation, a final liquidating dividend to the FRF will not be made until such time as the FADA's litigation liability is settled or dismissed. The investment in the FADA is accounted for using the equity method and is included in the line item "Other assets, net" (Note 6). As of December 31, 1992, the value of the investment has been adjusted for projected expenses relating to the liquidation of the FADA. The FADA's estimate of probable litigation losses is $1.6 million. Accordingly, a $1.6 million litigation loss has been recognized as a reduction in the value of the FRF's investment in the FADA. This represents a $400 thousand decrease from probable litigation losses of $2 million at December 31, 1991. Additional litigation losses considered reasonably possible as of December 31, 1992, are estimated to be from $5.4 million to $6.4 million and remain unrecognized. In addition, losses from two potential lawsuits and/or claims against the FADA cannot be estimated at this time.

Related Parties

The nature of related parties and descriptions of related party transactions are disclosed throughout the financial statements and footnotes.

Reclassifications

Reclassifications have been made in the 1991 Financial Statements to conform to the presentation used in 1992.

3. Cash and Cash Equivalents

The FRF considers cash equivalents to be short-term, highly liquid investments with original maturities of three months or less. In 1992, cash restrictions included $2 million for health insurance payable and $31.4 million for funds held in trust. In 1991, cash restrictions included $2.5 million for health insurance payable and $35.4 million for funds held in trust.

Cash and Cash Equivalents

Dollars in Thousands	December 31 1992	December 31 1991
Cash	$ 83,174	$233,875
One-day special Treasury certificates	1,704,404	533,464
	$1,787,578	**$767,339**

4. Net Receivables from Thrift Resolutions

As of December 31, 1992 and 1991, the FRF, in its receivership capacity, held assets with a book value of $3.8 billion and $7 billion, respectively. The estimated cash recoveries from the sale of these assets (excluding cash and miscellaneous receivables of $435 million) are regularly evaluated, but remain subject to uncertainties because of changing economic conditions affecting real estate assets now in the marketplace. These factors could reduce the FRF's actual recoveries upon the sale of these assets from the level of recoveries currently estimated.

Receivables from operating thrifts include amounts outstanding to qualified institutions under the Capital Instrument Program. The FSLIC purchased capital instruments such as Income Capital Certificates (ICCs) and Net Worth Certificates (NWCs) from insured institutions either in a non-cash exchange (by issuing a note payable of equal value) or by cash payments. The total amount of ICCs outstanding as of December 31, 1992 and 1991, is $157 million. Likewise, the total amount of NWCs outstanding as of December 31, 1992 and 1991, is $115 million and $132 million, respectively.

The FRF pays interest on notes payable to an assisted institution in cash, while the institution only accrues interest payable on the certificates to the FRF. If an institution is profitable, it will actually pay interest owed to the FRF. Because of the uncertainty surrounding the collection of interest, the FRF only recognizes interest revenue when interest payments are received from an institution.

Net Receivables from Thrift Resolutions

Dollars in Thousands	December 31 1992	December 31 1991
Receivables from Operating Thrifts:		
Collateralized loans	$ 470,000	$ 560,000
Other loans	264,280	267,880
Capital instruments	272,496	289,471
Preferred stock from assistance transactions	865,193	445,659
Accrued interest receivable	20,125	21,190
Allowance for losses (Note 9)	(971,550)	(659,869)
	920,544	**924,331**
Receivables from Closed Thrifts:		
Resolution transactions	10,449,964	11,361,828
Collateralized advances/loans	322,279	329,682
Other receivables	231,435	249,187
Allowance for losses (Note 9)	(9,919,271)	(9,932,254)
	1,084,407	**2,008,443**
	$2,004,951	**$2,932,774**

5. Investment in Corporate-Owned Assets, Net

The FRF's investment in corporate-owned assets is comprised of amounts that: 1) the FSLIC paid to purchase assets from troubled or failed thrifts and 2) the FRF pays to acquire receivership assets, terminate receiverships and purchase covered assets. The vast majority of these assets are real estate and mortgage loans.

The FRF recognizes income and expenses on these assets. Income consists primarily of the portion of collections on performing mortgages related to interest earned. Expenses are recognized for administering the management and liquidation of these assets.

Investment in Corporate-Owned Assets, Net

Dollars in Thousands	December 31 1992	December 31 1991
Investment in corporate-owned assets	$3,515,803	$3,554,985
Allowance for losses (Note 9)	(2,971,057)	(2,968,015)
	$ 544,746	**$ 586,970**

6. Other Assets, Net

Other Assets, Net

Dollars in Thousands	December 31 1992	December 31 1991
Investment in FADA	$25,000	$25,000
Allowance for losses (Note 9)	(9,862)	(13,583)
	15,138	**11,417**
Accounts receivable	1,829	2,726
Allowance for losses	(93)	(26)
	1,736	**2,700**
Due from government agencies	28,855	747
	$45,729	**$14,864**

7. Liabilities Incurred from Thrift Resolutions

The FSLIC issued promissory notes and entered into assistance agreements in order to prevent the default and subsequent liquidation of certain insured thrift institutions. These notes and agreements required the FSLIC to provide financial assistance over time. Under the FIRREA, the FRF assumed these obligations. The FRF presents its notes payable and its obligation for assistance agreement payments incurred but not yet paid as a component of the line item "Liabilities incurred from thrift resolutions." Estimated future assistance payments under its assistance agreements are presented as a component of the line item "Estimated liabilities for: Assistance agreements" (see Note 8).

Liabilities Incurred from Thrift Resolutions

Dollars in Thousands	December 31 1992	December 31 1991
Notes payable to Federal Home Loan Banks/U.S. Treasury	$ 470,000	$ 560,000
Notes payable to acquirers of failed institutions	-0-	700,572
Capital instruments (Note 4)	24,350	41,325
Assistance agreement notes	913,308	7,582,557
Accrued assistance agreement costs	1,866,531	2,437,188
Accrued interest	14,158	111,882
Other liabilities to thrift institutions	207,039	376,572
	$3,495,386	**$11,810,096**

Maturities of Liabilities

Dollars in Thousands

1993	1994	1995	1996	1997	1998
$2,428,881	$167,790	$481,246	$96,477	$226,312	$94,680

8. Estimated Liabilities for:

Assistance Agreements

The "Estimated liabilities for: Assistance agreements" line item represents, on a discounted basis, an estimate of future assistance payments to acquirers of troubled thrift institutions. The nominal dollar amount of this line item as of December 31, 1992 and 1991, was $2.4 billion and $8 billion, respectively. The interest rates applied as of December 31, 1992 and 1991, were 3.5 percent and 5.6 percent respectively, based on U.S. money rates for federal funds.

Future assistance stems from the FRF's obligation to: 1) fund losses inherent in assets covered under the assistance agreements (e.g., by subsidizing asset write-downs, capital losses and goodwill amortization) and 2) supplement the actual yield earned from covered assets as necessary for the acquirer to achieve a specified yield (the "guaranteed yield"). Estimated total assistance costs recognized for current assistance agreements with institutions involving covered assets include estimates for the loss expected on the assets based on their appraised values. The FRF is obligated to fund any losses sustained by the institutions on the sale of the assets. If asset losses are incurred in excess of those recognized, the possible cash requirements and the accounting loss could be as high as $8 billion, should all underlying assets prove to be of no value (see Note 15). The costs and related cash requirements associated with the maintenance of covered assets are calculated using an applicable cost of funds rate and would change proportionately with any change in market rates.

The RTC, on behalf of the FRF, has authority to modify, renegotiate or restructure the 1988 and 1989 assistance agreements with FSLIC-assisted institutions with terms more favorable to the FRF. In accordance with a 1991 RTC Board Resolution, any FSLIC-assisted institution that has been placed in RTC conservatorship or receivership is subject to revised termination procedures.

The assistance agreements outstanding as of December 31, 1992 and 1991, were 100 and 131, respectively. The last agreement is scheduled to expire in December 1998.

The estimated liabilities for assistance agreements are affected by several factors, including adjustments to expected notes payable, the terms of the assistance agreements outstanding and, in particular, the salability of the related covered assets. The variable nature of the FRF assistance agreements will cause the cost requirements to fluctuate. This fluctuation will impact both the timing and amount of eventual cash flows. Although the "Estimated liabilities for: Assistance agreements" line item is presented on a discounted basis, the following schedule details the projected timing of the future cash flows as of December 31, 1992, on a nominal dollar basis:

Dollars in Thousands

1993	1994	1995	1996	1997	1998
$1,587,415	$536,320	$205,150	$91,704	$(14,449)	$8,727

The estimated net recovery in 1997 is a result of the excess actual yield on the performing assets covered under the assistance agreements over the cost of guaranteed yield and capital losses. This net recovery is due to the FRF per the contractual terms of the assistance agreements. In 1998 estimated net payments will again exceed recoveries due to additional capital losses from the mark-to-market adjustments on terminating assistance agreements.

Litigation Losses
The FDIC records as a contingent liability on the FRF's financial statements an estimated cost for unresolved legal cases to the extent those losses are considered to be both probable in occurrence and estimable in amount. In addition to these losses, the FDIC's Legal Division determined that estimated losses as high as $473 million could be incurred.

9. Analysis of Changes in Allowance for Losses and Estimated Liabilities

Transfers include reclassifications from the line item "Estimated liabilities for: Assistance agreements" to the line item "Liabilities incurred from thrift resolutions" for notes payable and related accrued assistance agreement costs. Terminations represent any final adjustments to the estimated cost figures for those thrift resolutions that have been completed and for which the operations of the receivership have ended.

Analysis of Changes in Allowance for Losses and Estimated Liabilities

1992

Dollars in Millions

Allowance for Losses:	Beginning Balance 01/01/92	Provision for Losses	Net Cash Payments	Transfers/ Terminations	Ending Balance 12/31/92
Operating thrifts	$ 660	$340	$ (28)	$ -0-	$ 972
Closed thrifts	9,932	45	-0-	(58)	9,919
Corporate-owned assets	2,968	3	-0-	-0-	2,971
Investment in FADA	13	(3)	-0-	-0-	10
Total Allowances	**13,573**	**385**	**(28)**	**(58)**	**13,872**
Estimated Liabilities for:					
Assistance agreements	7,411	509	(5,444)	(129)	2,347
Litigation losses	168	(95)	-0-	-0-	73
Total Estimated Liabilities	**7,579**	**414**	**(5,444)**	**(129)**	**2,420**
Total		**$799**			

Analysis of Changes in Allowance for Losses and Estimated Liabilities

1991

Dollars in Millions

Allowance for Losses:	Beginning Balance 01/01/91	Provision for Losses	Net Cash Payments	Transfers/ Terminations	Ending Balance 12/31/91
Operating thrifts	$ 547	$ 129	$ -0-	$ (16)	$ 660
Closed thrifts	9,730	264	-0-	(62)	9,932
Corporate-owned assets	2,674	294	-0-	-0-	2,968
Investment in FADA	9	4	-0-	-0-	13
Total Allowances	**12,960**	**691**	**-0-**	**(78)**	**13,573**
Estimated Liabilities for:					
Assistance agreements	17,839	918	(9,645)	(1,701)	7,411
Litigation losses	108	60	-0-	-0-	168
Total Estimated Liabilities	**17,947**	**978**	**(9,645)**	**(1,701)**	**7,579**
Total		**$1,669**			

10. Resolution Equity

The Accumulated Deficit includes $7.5 billion in non-redeemable capital certificates and redeemable capital stock issued by the FSLIC. Capital instruments have been issued by the FSLIC and the FRF to the FICO as a means of obtaining capital. Effective December 12, 1991, the FICO's authority to issue obligations as a means of financing for the FRF was terminated (see Note 1). Furthermore, the implementation of the FIRREA, in effect has removed the redemption characteristics of the capital stock issued by the FSLIC.

Resolution Equity

1992

Dollars in Thousands	Beginning Balance 01/01/92	Net Loss	Treasury Payments	Ending Balance 12/31/92
Contributed capital	$ 28,235,000	$ -0-	$13,793,000	$ 42,028,000
Accumulated deficit	(43,493,787)	(224,232)	-0-	(43,718,019)
	$(15,258,787)	**$(224,232)**	**$13,793,000**	**$ (1,690,019)**

1991

Dollars in Thousands	Beginning Balance 01/01/91	Net Loss	Treasury Payments	Ending Balance 12/31/91
Contributed capital	$ 7,753,000	$ -0-	$20,482,000	$ 28,235,000
Accumulated deficit	(41,883,259)	(1,610,528)	-0-	(43,493,787)
	$(34,130,259)	**$(1,610,528)**	**$20,482,000**	**$(15,258,787)**

11. Assessments

The FDIC's Legal Division rendered an opinion in March 1992 that assessments paid by "Oakar" banks on SAIF-insured deposits should be retained by the SAIF, and that income recognition (by the SAIF) should be retroactive to the FIRREA's enactment date. At December 31, 1991, the FRF had recorded a payable to the SAIF of $105 million for "Oakar" assessment revenue. In April 1992, the FRF paid to the SAIF $105 million plus $2.9 million in accumulated interest earned on the assessment proceeds. The FRF will no longer receive the SAIF assessments after December 31, 1992.

Secondary Reserve Offset
The FIRREA authorized insured thrifts to offset against any assessment premiums their pro rata share of amounts that were previously part of the FSLIC's "Secondary Reserve." The Secondary Reserve represented premium prepayments that insured thrifts were required by law to deposit with the FSLIC during the period 1961 through 1973 to quickly increase the FSLIC's insurance reserves to absorb losses if the regular assessments were insufficient. The allowable offset is limited to a maximum of 20 percent of an institution's remaining pro rata share for any calendar year beginning before 1993. After calendar year 1992, there is no limitation on the remaining offset amount.

The FRF also is required to pay in cash (or reduce an outstanding indebtedness) the remaining portion of the thrift's full pro rata distribution when the institution loses its insured status or goes into receivership. The FRF establishes a payable to that institution or its receiver with a corresponding charge to expense. As of December 31, 1992 and 1991, the Secondary Reserve payable, included in the line item "Accounts payable, accrued and other liabilities," was $110 million and $47 million, respectively.

The remaining Secondary Reserve credit at December 31, 1992 and 1991, was $197 million and $298 million, respectively. This amount will be reduced primarily by offsets against assessment premiums, as it is expected that the thrifts will fully apply any remaining secondary reserve credit against their 1993 assessment, as allowed under the FIRREA.

12. Pension Benefits, Savings Plans and Accrued Annual Leave

Eligible FDIC employees (i.e., all permanent and temporary employees with an appointment exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). The CSRS is a defined benefit plan integrated with the Social Security System in certain cases. Plan benefits are determined on the basis of years of creditable service and compensation levels. The CSRS-covered employees also can participate in a federally sponsored tax-deferred savings plan available to provide additional retirement benefits. The FERS is a three-part plan consisting of a basic defined benefit plan that provides benefits based on years of creditable service and compensation levels, Social Security benefits and a tax-deferred savings plan. Further, automatic and matching employer contributions are provided up to specified amounts under the FERS. Eligible employees may participate in an FDIC-sponsored tax-deferred savings plan with matching contributions. The FRF pays the employer's portion of the related costs.

Although the FRF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported and accounted for by the U.S. Office of Personnel Management.

The liability to employees for accrued annual leave is approximately $4.4 million and $4.8 million at December 31, 1992 and 1991, respectively.

Pension Benefits and Savings Plans Expenses

Dollars in Thousands	December 31 1992	December 31 1991
Civil Service Retirement System	$ 743	$ 809
Federal Employee Retirement System (Basic Benefit)	2,827	2,822
FDIC Savings Plan	1,037	1,006
Federal Thrift Savings Plan	815	717
	$5,422	**$5,354**

13. Postretirement Benefit Plans Other than Pensions

The FDIC provides certain health, dental and life insurance coverage for its eligible retirees, the retiree's beneficiaries and covered dependents. Eligible retirees are those who have elected the FDIC's health and/or life insurance program and are entitled to an immediate annuity. However, dental coverage is provided to all retirees regardless of the plan selected.

Health insurance coverage is a comprehensive fee-for-service program underwritten by Blue Cross/Blue Shield of the National Capital Area, with hospital coverage and a major medical wraparound. Dental care is underwritten by Connecticut General Life Insurance Company. The life insurance program is underwritten by Metropolitan Life Insurance Company.

The FDIC contributes toward health insurance premiums at the same rate for both active and retired employees. The FDIC uses a "minimum premium funding arrangement" in which premiums are held in a restricted account. Medical claims and fixed costs are paid to Blue Cross/Blue Shield from this account on a monthly basis. Under this arrangement, the FDIC's liability exposure is limited in any one contract year. The life insurance program provides for basic coverage at no cost to retirees and allows converting optional coverages to direct-pay plans with Metropolitan Life Insurance Company. The dental insurance program provides coverage at no cost to retirees.

As part of adopting SFAS No. 106 (see Note 2), the FDIC elected to immediately recognize the accumulated postretirement benefit liability, measured as of January 1, 1992. The accumulated liability, known as the transition obligation, represents that portion of future retiree benefit costs related to service already rendered by both active and retired employees up to the date of adoption. The FRF recorded an expense of $5.9 million for this liability, which has been reflected in the Statements of Income and Accumulated Deficit as the cumulative effect of a change in accounting principle for periods prior to 1992.

In addition to the cumulative effect, the FRF's expense for such benefits in 1992 was $2.3 million, included in the current year administrative expenses. In the absence of the accounting change, the FRF would have recognized postretirement benefits other than pensions of $140 thousand.

For measurement purposes, the FDIC assumed the following: 1) a discount rate of 7 percent; 2) an increase in health cost in 1992 of 16.5 percent, decreasing down to an ultimate rate in 1998 of 9 percent; and 3) an increase in dental costs in 1992 and thereafter of 8 percent. Both the assumed discount rate and health care cost rate have a significant effect on the amount of the obligation and periodic cost reported.

If the health care cost rate were increased one percent, the accumulated postretirement benefit obligation as of December 31, 1992, would have increased by 22.8 percent. The effect of this change on the aggregate of service and interest cost for 1992 would be an increase of 26.1 percent.

Net Periodic Postretirement Benefit Cost

Dollars in Thousands	**December 31 1992**
Service cost (benefits attributed to employee service during the year)	$1,401
Interest cost on accumulated postretirement benefit obligation	856
Net Periodic Postretirement Benefit Cost Before Funding Transfer	**2,257**
Funds transferred to the Savings Association Insurance Fund	1,197
	$3,454

14. Commitments

The FRF currently is sharing in the FDIC's lease space. The FRF's allocated share of lease commitments for office space totals $7 million for future years. The agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The FRF recognized leased space expense of $8.3 million and $8.7 million for the years ended December 31, 1992 and 1991, respectively.

Leased Space Fees

Dollars in Thousands

1993	1994	1995	1996	1997
$3,517	$2,047	$1,196	$260	$26

15. Concentration of Credit Risk

The FRF is counterparty to a group of financial instruments with entities located throughout regions of the United States experiencing problems in both loans and real estate. The FRF's maximum exposure to possible accounting loss, should each counterparty to these instruments fail to perform and any underlying assets prove to be of no value, is shown as follows:

Concentration of Credit Risk

Dollars in Millions	December 31, 1992						
	South-east	South-west	North-east	Mid-west	Central	West	Total
Net receivables from thrift resolutions	$319	$ 476	$247	$72	$ 69	$ 822	$2,005
Investment in corporate-owned assets	5	375	-0-	1	23	141	545
Assistance agreements covered assets, net of estimated capital loss (off-balance sheet)	66	3,713	-0-	-0-	281	3,979	8,039
Total	**$390**	**$4,564**	**$247**	**$73**	**$373**	**$4,942**	**$10,589**

16. Disclosures about the Fair Value of Financial Instruments

Cash and cash equivalents are short-term, highly liquid investments and are shown at actual or approximate fair value. The carrying amount of accounts payable, liabilities incurred from thrift resolutions and the estimated liabilities for assistance agreements approximates their fair value due to their short maturities or comparisons with current interest rates.

It was not practicable to estimate fair values of net receivables from thrift resolutions. These assets are unique, there is no established market and they are not intended for sale to the private sector. The FDIC believes that a sale to the private sector would require indeterminate, but substantial, discounts for financial profit and credit or other risks which would significantly reduce cash recoveries from these assets. Further, comparisons with other financial instruments do not provide a reliable measure of their fair value. Due to these and other factors, the FDIC cannot determine an appropriate market discount rate and, thus, is unable to estimate fair value on a discounted cash flow basis. As shown in Note 4, the carrying amount is the original amount advanced net of the estimated allowance for losses, which is the estimated cash recovery value.

The majority of the investment in corporate-owned assets, net, (except real estate) is comprised of various types of financial instruments including investments, loans, accounts receivable, etc. acquired from troubled and failed thrifts. As with the net receivables from thrift resolutions, it was not practicable to estimate fair values. Cash recoveries are primarily from the sale of the assets, dependent upon market conditions which vary over time, and can occur over many years following resolution. The FDIC cannot predict the timing of these cash recoveries reasonably and, thus, is unable to estimate fair value on a discounted cash flow basis. As shown in Note 5, the carrying amount is the original amount advanced net of the estimated allowance for losses, which is estimated cash recovery value.

17. Supplementary Information Relating to the Statements of Cash Flows

Reconciliation of Net Loss to Net Cash Used by Operating Activities

Dollars in Thousands	December 31 1992	December 31 1991
Net Loss	$ (224,232)	$ (1,610,528)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Income Statement Items:		
Provision for losses	799,105	1,669,366
Change in Assets and Liabilities		
Decrease in accrued interest receivable on investments and other assets	15,801	58,709
Decrease in thrift resolution receivable	1,488,844	1,859,721
Decrease in corporate-owned assets	39,233	309,027
(Decrease) increase in accounts payable, accrued and other liabilities	(13,451)	536,081
Decrease in liabilities from thrift resolutions	(6,802,739)	(10,783,062)
Net Cash Used by Operating Activities	**$(4,697,439)**	**$ (7,960,686)**

Non-cash financing activities for the year ended December 31, 1992, included canceled notes payable (NWCs) of $13.4 million.

Non-cash financing activities for the year ended December 31, 1991, include: 1) canceled notes payable (NWCs) of $12.7 million; 2) canceled notes payable (ICCs) of $2 million; and 3) issued note payable of $158.7 million.

18. Subsequent Events

The RTC, under the authority provided in the FIRREA (see Note 8), and in conjunction with the FDIC, First Nationwide Financial Corporation, Columbia Savings and First Nationwide Bank, amended the assistance agreements dated November 4, 1988, December 16, 1988, and December 30, 1988, and the Supervisory Action Agreement dated September 3, 1981.

On January 19, 1993, the FDIC's Board of Directors delegated to the RTC, authority to execute the following partnership agreement on behalf of the FDIC. Under that authority, the FDIC formed a limited partnership with FN Realty Advisors, Incorporated, called Mountain AMD Limited Partnership. FN Realty Advisors, Incorporated has been designated the general partner and the FDIC, as manager of the FRF, is the limited partner. In February 1993, the FDIC made an initial capital contribution of $312 million towards the partnership and provided a capital loan to the FN Realty Advisors for 60% of their capital contribution of $23 million. In addition, the FDIC provided an advance to the Mountain AMD Limited Partnership for working capital in the amount of $7.5 million. The Partnership, in return, paid $335 million to First Nationwide for all of its right, title and interest in and to the AMD pool assets.

Public Law #102-389, which was signed into law on October 6, 1992, appropriated $2.6 billion to the FRF for the fiscal year ending September 30, 1993. The FRF has not requested any of the appropriated funds as of May 15, 1993. However, the FRF does expect to request these funds by September 1993. These appropriations will be used to prepay notes, purchase covered assets, renegotiate assistance agreements and pay normal operating expenses.

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