

Note 10. Other Assets

Other Assets as of September 30, 2023, and 2022

(In billions of dollars)	2023	2022
FDIC receivables from resolution activity, net	158.4	0.6
Regulatory assets	14.3	15.2
Other	22.7	21.9
Total other assets	<u>195.4</u>	<u>37.7</u>

Other assets are miscellaneous assets that are not reported elsewhere on the Balance Sheet (e.g., receivables from resolution activity, regulatory assets, investments, and costs related to special projects).

FDIC insures the deposits of insured depository institutions and resolves failed institutions upon appointment of FDIC as receiver. FDIC, as receiver, is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The receivables from resolutions result from payments to cover insured depositors of failed institutions, advances to resolution entities (receiverships, conservatorships, and bridge institutions) for working capital, and administrative expenses paid on behalf of resolution entities. Assets held by resolution entities are the main source of repayment of FDIC's receivables from resolution activity. Estimates are made for the valuation of the assets held by resolution entities to compute the allowance for credit losses, including FDIC's estimate of future payments on losses incurred on assets sold to an acquiring institution under a shared-loss agreement. Multiple insured institutions failed throughout FY 2023, including Silicon Valley Bank, Signature Bank of New York, First Republic Bank, and Heartland Tri-State Bank. These failures caused the net of receivables from resolution activity to increase from \$0.6 billion as of September 30, 2022, to \$158.4 billion as of September 30, 2023.

The FDIC's estimated cash recoveries are based on asset recovery rates from several sources, which may include the following: actual or pending institution-specific asset disposition data, failed institution-specific asset valuation data, aggregate asset valuation data on several recently failed or troubled institutions, sampled asset valuation data, and empirical asset recovery data based on failures since 2007. Methodologies for determining the asset recovery rates incorporate estimating future cash recoveries, net of applicable liquidation cost estimates, and discounting based on market-based risk factors applicable to a given asset's type and quality. The resulting estimated asset recoveries are then used to derive the allowance for credit losses on the receivables from these resolutions. Estimated asset recoveries on assets in liquidation are regularly evaluated during the year but remain subject to uncertainties because of potential changes in economic and market conditions, which may cause the actual recoveries to vary significantly from current estimates. Losses on the covered assets are shared between the acquirer of the failed institution and the FDIC, in its receivership capacity, of the failed institution when losses occur through the sale, foreclosure, loan modification, or write-down of loans in accordance with the terms of the shared-loss agreement. The agreements cover a seven- to eight-year period with the receiver covering 50 to 95 percent of the losses incurred by the acquiring bank. The estimated shared-loss liability is accounted for by the receiver and is included in the calculation of the allowance for credit losses against the corporate receivable from the resolution. The allowance for credit losses increased from \$50.0 billion as of September 30, 2022, to \$67.1 billion as of September 30, 2023.

DOE and TVA record regulatory assets in accordance with FASB ASC Topic 980, *Regulated Operations*. The provisions of this standard require that regulated enterprises reflect rate actions of the regulator in their financial statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise. In order to defer incurred costs under FASB ASC Topic 980, a regulated entity must have the statutory authority to establish rates that recover all costs, and those rates must be charged to and collected from customers. If rates should become market-based, FASB ASC Topic 980 would no longer be applicable, and all the deferred costs under that standard would be expensed. DOE's BPA is responsible for repaying Treasury for transmission and power-generating assets owned by other entities based on this deferred cost. Other regulatory assets for DOE include BPA's fixed schedule of benefit payments for investor-owned utility customers, repayment of debt for terminated nuclear projects, and deferred energy conservation measures relating to fish and wildlife. TVA's regulatory assets represent incurred costs that have been deferred because such costs are probable of future recovery in customer rates.

Items included in other are investments in MDB, DOC's cost contribution to buildout/continuing enhancement of the NPSBN, DOE's operating non-federal generation, and derivative assets. Additional information concerning other assets can be obtained from the financial statements of FDIC, DOE, TVA, Treasury, DOC, and OPM.