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

November 8, 2013

MEMORANDUM TO: The Board of Directors

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

Craig R. Jarvill
Director, Division of Finance

SUBJECT: Third Quarter 2013 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the quarter ended September 30, 2013.

Executive Summary

- During the third quarter of 2013, the Deposit Insurance Fund (DIF) balance increased by $2.9 billion, from $37.9 billion to $40.8 billion. This quarterly increase was primarily due to $2.3 billion of assessment revenue, a $539 million decrease in the provision for insurance losses, and a $156 million net realized gain on sale of trust preferred securities (TruPs), partially offset by $298 million of operating expenses.

- During the third quarter of 2013, the FDIC was named receiver for 6 failed institutions. The combined assets at inception for these institutions totaled approximately $3.8 billion with a total estimated loss of $775 million. The corporate cash outlay during the third quarter for these failures was approximately $1.1 billion.

- Through September 30, 2013, overall Corporate Operating Budget expenditures were below budget by 15 percent ($296 million), largely due to substantial under-spending in the Receivership Funding budget component. Spending in that component was $176 million, or 27 percent, less-than-budgeted, while spending in the Ongoing Operations component was $121 million, or 9 percent, under budget. The variance in the Receivership Funding component was primarily due to less costly resolutions and lower-than-anticipated asset management and marketing and contract support costs for failed bank resolutions.

I. <u>Corporate Fund Financial Results</u> (See pages 9 - 10 for detailed data and charts.)

Deposit Insurance Fund

- For the nine months ending September 30, 2013, the DIF's comprehensive income totaled $7.8 billion compared to comprehensive income of $13.4 billion for the same period last year. This $5.6 billion decrease was mostly due to a decrease in other revenue of $4.1 billion, and a $2.0 billion decrease in assessment revenue, partially offset by a decrease in provision for insurance losses of $192 million and a $136 million decrease in operating expenses.

- The year-over-year decrease of $4.1 billion in other revenue was primarily due to the recognition of $4.0 billion in revenue in June 2012 for the Debt Guarantee Program fees that were previously held as systemic risk deferred revenue.

- The provision for insurance losses was negative $539 million for the third quarter of 2013. The negative provision primarily resulted from a $440 million decrease in the contingent loss reserve due to lower estimated losses from anticipated future failures.

- On September 9, 2013, the FDIC exchanged the Citigroup TruPs with a par value of $2.225 billion held by the Corporation for subordinated notes with a par value of $2.420 billion from Citigroup. The carrying book value of the TruPs was $1.962 billion resulting in a gain on the exchange of $458 million, which was offset by a reclassification of accumulated unrealized gain of $302 million. Thus, the effect to the DIF fund balance was a net realized gain of $156 million. Subsequently, on September 10, 2013, the subordinated notes were sold at par to the institutional fixed income market for $2.420 billion.

FSLIC Resolution Fund (FRF)

- After evaluating FRF's remaining assets and liabilities, the FDIC returned $2.6 billion to the U.S. Treasury on behalf of the FRF- FSLIC and paid $125 million to REFCORP on behalf of FRF-RTC in the third quarter 2013.

- During September, FRF paid $501 thousand to a plaintiff in a goodwill case, representing reimbursement for a tax liability incurred on a $181 million settlement that occurred in 2012.

Assessments

- During the third quarter of 2013, the DIF recognized a total of $2.3 billion in assessment revenue. The estimate for third quarter 2013 insurance coverage totaled $2.4 billion. Additionally, the DIF recognized a net adjustment of $56 million that reduced assessment revenue. This adjustment consisted of $7 million in prior period amendments and a $49 million decrease to the estimate for second quarter 2013 insurance coverage recorded at June 30, 2013. The latter adjustment was due to lower average assessment rates for large banks.

- On September 30, 2013, the FDIC collected $2.5 billion in DIF assessments for second quarter 2013 insurance coverage. For the first time since the collection date of March 30, 2010, there were no prepaid assessments reducing the quarterly collection amount.

II. Investment Results (See pages 11 - 12 for detailed data and charts.)

DIF Investment Portfolio

- On September 30, 2013, the total liquidity (also total market value) of the DIF investment portfolio stood at $38.4 billion, slightly higher than its December 31, 2012, balance of $38.2 billion.

- On September 30, 2013, the DIF investment portfolio's yield was 0.42 percent, up six basis points from its December 31, 2012, yield of 0.36 percent. During the first nine months of the year, newly purchased Treasury securities generally had somewhat higher yields than maturing securities, primarily contributing to the increase in portfolio yield.

- In accordance with the approved third quarter 2013 DIF portfolio investment strategy, staff purchased a total of eighteen short-maturity conventional Treasury securities and one Treasury Inflation-Protected Security (TIPS). The nineteen securities had a total par value of $8.9 billion, a weighted average yield of 0.72 percent, and a weighted average maturity (WAM) of 2.70 years.

III. Budget Results (See pages 13 - 14 for detailed data.)

Approved Budget Modifications

The 2013 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to make certain modifications to the 2013 Corporate Operating Budget. The following budget reallocations were approved during the third quarter in accordance with the authority delegated by the Board of Directors. None of these modifications changed the total 2013 Corporate Operating Budget as approved by the Board in December 2012.

- In August, the CFO approved the reallocation of $133,000 within the Ongoing Operations budget component from the Corporate Unassigned budget to the Salaries and Compensation budget of the Executive Offices to provide funding for expenses associated with the new Chief Information Officer (CIO) position.

- In September, in conjunction with the establishment of the Information Security and Privacy Staff (ISPS) as an independent organizational entity, separate from the Division of Information Technology (DIT), the CFO approved the reallocation of $11,009,229 within the Ongoing Operations and Receivership Funding budget components from the DIT budget to the ISPS budget to support the transfer of information security and privacy functions and staff, including 35 authorized positions, from DIT to ISPS. This adjustment realigned budget authority within the Salaries and Compensation, Outside Services-Personnel, Travel, Outside Services – Other, and Other Expenses categories in the Ongoing Operations budget and the Salaries and Compensation category in the Receivership Funding budget component.

- In September, the CFO approved the reallocation of $1,517,156 in budget authority within the Ongoing Operations component of the 2013 Corporate Operating Budget from the Office of International Affairs (OIA) budget to the Division of Insurance and Research (DIR) Ongoing Operations budget in conjunction with the integration of OIA functions and staff (including 13 authorized positions) into the DIR.

Following these reallocations, the amounts remaining available within the Corporate Unassigned budgets for the Ongoing Operations and Receivership Funding budget components were $ 25,706,393 and $ 14,343,746, respectively.

Approved Staffing Modifications

The 2013 Budget Resolution delegated to the CFO the authority to modify approved 2013 staffing authorizations for divisions and offices, as long as those modifications did not increase the total approved 2013 Corporate Operating Budget. The following staffing adjustments were approved during the third quarter in accordance with the authority delegated by the Board of Directors. None of these modifications changed the total 2013 Corporate Operating Budget approved by the Board in December 2012.

- In July, the CFO approved a total increase of 21 authorized positions (5 permanent, 16 non-permanent). Fourteen positions (1 permanent, 13 non-permanent) were added to the Division of Risk Management Supervision's (RMS) 2013 staffing authorization, including an additional permanent Executive Manager position in the Large Bank Supervision Branch to alleviate supervisory span of control concerns, 3 non-permanent positions to provide administrative support for the Complex Financial Institutions (CFI) Branch, 4 non-permanent research assistant positions to enhance horizontal analysis capabilities in CFI's Risk Analytics Section, 3 non-permanent policy analysts in the Capital Markets Branch to support current rulemaking workload associated with Basel III and Dodd-Frank Act implementation, 1 non-permanent Supervisory Examination specialist in the Internal Controls and Review Section, 1 non-permanent Program Analyst to assist the community banking initiative in the Risk Management Policy Branch, and 1 non-permanent Financial Analyst position in the Atlanta Regional Office. Four permanent positions were added to DOA's 2013 staffing authorization, three to provide expanded staff support for Corporate Employee Program recruiting and hiring and one to support DOA's expanded internal and interagency responsibilities for cyber security. Three non-permanent positions were added to the Division of Depositor and Consumer Protection's (DCP) 2013 staffing authorizations to support temporary workload associated with the FDIC's Alliance for Economic Inclusion Initiatives, enhanced data management and reporting for the examination function, and expanded statistical analysis capabilities in the Consumer Research and Examination Analytics Section.

- In August, following the Chairman's decision to separate the positions of CIO and DIT Director, the CFO approved an increase of one authorized permanent position in the Executive Offices for the new CIO.

- In September, as noted above, the CFO approved the transfer of 35 previously-authorized positions (30 permanent, 5 non-permanent) from DIT to the newly established ISPS. In addition, following the organizational realignment that merged OIA into DIR, the CFO approved the transfer of 13 previously authorized positions (11 permanent, 2 non-permanent) from OIA to DIR.

- In September, the CFO approved an increase of 5 non-permanent positions in RMS's 2013 staffing authorization to provide additional resources in the Large Bank Supervision Branch to carry out the FDIC's expanded responsibilities under the Dodd Frank Act for oversight and resolution planning for more than 100 foreign banking organizations.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the nine months ending September 30, 2013, are defined as those that either (1) exceed the YTD budget by $1 million and represent more than two percent of a major expense category or total division/office budget; or (2) are under the YTD budget for a major expense category or division/office by an amount that exceeds $2 million and represents more than four percent of the major expense category or total division/office budget.

Significant Spending Variances by Major Expense Category

<u>Ongoing Operations</u>

There were significant spending variances in six of the seven major expense categories in the Ongoing Operations component of the 2013 Corporate Operating Budget through the third quarter.

- Salaries and Compensation ($45 million, or 5 percent, less than budgeted). The most significant variances in this expense category were in RMS ($14 million), the Legal Division ($8 million), DCP ($5 million), DIT ($4 million), the Division of Resolutions and Receivership (DRR) ($3 million), and DIR ($3 million). Under spending in this expense category was largely attributable to vacancies in budgeted positions.

- Outside Services – Personnel ($31 million, or 16 percent, less than budgeted). The CIO Council spent $7 million less than budgeted, largely due to lower-than-planned spending on discretionary systems development projects and the Information Management and Compliance (IMAC) project. The Division of Administration (DOA) spent $7 million less than budgeted, largely due to lower-than-anticipated contract expenses for services associated with the Student Residence Center, security, and human resources and career counseling; cancellation of pre-retirement seminars due to low enrollment; a decline in administrative support requirements performed by contractors; reduced contractor billings because of delays in completing security clearances prior to bringing replacement contract personnel on board; and significant savings from using FDIC staff rather than contractors to prepare pre-retirement estimates and update the FDIC's Human Capital Plan. DRR spent $4 million less than budgeted due to lower than anticipated expenses for business process improvements, IT security, web business support services, and data contracts, and delays in starting work on budgeted advisory services contracts in support of enhanced large bank resolutions procedures. OCFI spent $3 million less than budgeted due to a project cancellation and the successful renegotiation of an existing contract to provide for lower monthly payment terms.

- Travel expenditures ($12 million, or 16 percent, less than budgeted). This variance was largely due to vacancies in non-permanent field examination positions in RMS and DCP and vacancies in DCP's Washington office that led to lower-than-projected regular duty and relocation travel expenses. Travel expenses were also lower-than-budgeted for Financial Institution Specialists in the Corporate Employee Program (CEP) in the Corporate University (CU). DRR spending in this expense category was also $1 million lower-than-anticipated for regular duty travel and relocation costs.

- Building expenditures ($7 million, or 10 percent, less than budgeted). This variance was largely due to delays in the Student Residence Center pipe replacement project, a design change in the Headquarters HVAC replacement project; delays in awarding a contract for the Building Management System (BMS) project in the San Francisco Regional Office, and lower-than-projected utilities consumption.

- Equipment expenditures ($19 million, or 32 percent, less than budgeted). DIT spent $14 million less than budgeted primarily because of delays in planned purchases of hardware and software, including hardware/software for the technical refresh project. Those purchases are now expected to occur in the fourth quarter. In addition, DOA spent $5 million less than budgeted due to intentional deferral of furniture purchases until later in the year and reduced lease costs due to the conversion of a large number of copiers from lease to ownership.

- Other Expenses ($4 million, or 30 percent, less than budgeted). The variance was mostly due to substantial underutilization of the Professional Learning Accounts by employees and lower-than-projected corporate office supply purchases by DOA.

Receivership Funding

The Receivership Funding component of the 2013 Corporate Operating Budget includes funding for expenses that are incurred in conjunction with institution failures and the management and disposition of the assets and liabilities of the ensuing receiverships, except for salary and benefits and related expenses for permanent employees assigned to the receivership management function.

There were significant spending variances in six of the seven major expense categories through the third quarter in the Receivership Funding component of the 2013 Corporate Operating Budget:

- Salaries and Compensation ($13 million, or 9 percent, less than budgeted). This variance was attributable to vacancies in budgeted non-permanent positions, primarily in the temporary satellite offices.

- Outside Services-Personnel ($130 million, or 30 percent, less than budgeted). This variance was attributable to less costly resolutions expenses and lower-than-anticipated asset management and marketing costs incurred under contracts for receivership assistance, due diligence, owned real estate (ORE), loan servicing, review of loss share agreements, and securitizations.

- Travel ($9 million, or 54 percent, less than budgeted). This variance was attributable to lower-than-budgeted failed bank activity.

- Buildings ($6 million, or 21 percent, less than budgeted). This variance was attributable to lower-than-budgeted failed bank activity.

- Equipment ($3 million, or 36 percent, less than budgeted). This variance resulted from earlier-than-expected termination of operations at the site of failed banks.

- Other Expenses ($14 million, or 46 percent, less than budgeted). This variance also reflected reduced operational costs at failed bank sites due to the earlier-than-anticipated transfer of failed bank operations to the Dallas office and the quicker disposition of failed bank assets.

Significant Spending Variances by Division/Office[1]

Twelve organizations had significant spending variances through the end of the third quarter:

- DRR ($181 million, or 31 percent, less than budgeted). Approximately $172 million of this under spending was in the Receivership Funding Budget component due to lower-than-anticipated resolutions and receivership expenses and workload, as explained above.

- DOA ($25 million, or 12 percent, less than budgeted). This variance was largely attributable to lower-than-anticipated costs in the Outside Services-Personnel, Buildings, and Equipment expense categories, as explained above, and lower-than-expected expenses to support bank closings in the Receivership Funding budget component, due in part to fewer-than-projected bank closings and the smaller average size of bank failures.

- DIT ($23 million, or 12 percent, less than budgeted). This variance was largely attributable to delays in hardware and software purchases, lower-than-budgeted support costs for failed financial institutions, and vacancies in budgeted positions.

- RMS ($21 million, or 5 percent, less than budgeted). This variance was largely attributable to vacancies in budgeted non-permanent examination positions and lower-than-budgeted examination travel expenses associated with those vacancies.

- DCP ($8 million or 6 percent less than budgeted). This variance was primarily attributable to vacancies in budgeted field examination and Washington office positions and lower-than-budgeted spending for regular duty and relocation travel associated with those vacancies.

- CIO Council ($6 million, or 12 percent, less than budgeted). This variance was largely due to lower-than-planned spending on discretionary systems development projects and the Information Management and Compliance (IMAC) project.

- OCFI ($6 million, or 21 percent, less than budgeted). This variance was largely attributable to vacancies in budgeted positions and lower-than-budgeted spending for contractual services and relocation travel.

- DIR ($4 million, or 12 percent, less than budgeted). This variance was primarily attributable to vacancies in budgeted positions due to slower-than-projected hiring to fill those vacancies.

- The Division of Finance ($3 million, or 11 percent, less than budgeted). This variance was attributable to vacancies in budgeted positions due to slower-than-expected hiring to fill those vacancies.

- CU-CEP ($3 million, or 21 percent, less than budgeted). This variance was primarily due to lower than budgeted expenses for Salaries and Compensation and Travel for Financial Institution Specialists due to the cancellation of one budgeted class.

[1] Information on division/office variances reflects variances in both the Ongoing Operations and Receivership Funding components of the 2013 Corporate Operating Budget.

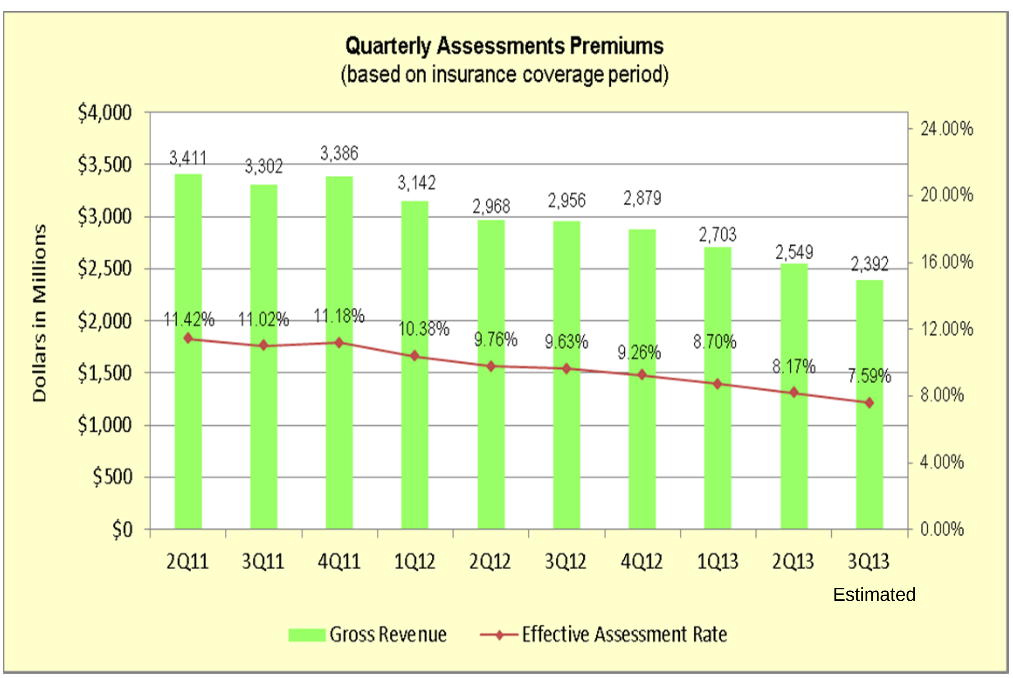
- Office of Inspector General ($3 million, or 11 percent, less than budgeted). This variance was attributable to vacancies in budgeted positions and lower-than-projected travel expenses.

- The combined Executive Support Offices ($4 million, or 16 percent, less than budgeted). This variance was mostly attributable to lower-than-budgeted spending for contract services by the Office of Corporate Risk Management and the Office of Minority and Women Inclusion and slower-than-projected hiring to fill budgeted positions.

Fund Financial Results

($ in Millions)

Balance Sheet	Deposit Insurance Fund				
	Unaudited Sep-13	Unaudited Jun-13	Quarterly Change	Unaudited Sep-12	Year-Over-Year Change
Cash and cash equivalents	$ 5,330	$ 531	$ 4,799	$ 1,587	$ 3,743
Cash and investments - restricted - systemic risk	-	-	-	1,115	(1,115)
Investment in U.S. Treasury obligations, net	32,729	33,286	(557)	35,460	(2,731)
Trust preferred securities	-	2,240	(2,240)	2,255	(2,255)
Assessments receivable, net	2,391	2,594	(203)	660	1,731
Receivables and other assets - systemic risk	-	-	-	1,568	(1,568)
Interest receivable on investments and other assets, net	409	533	(124)	462	(53)
Receivables from resolutions, net	16,938	18,442	(1,504)	18,948	(2,010)
Property and equipment, net	373	376	(3)	379	(6)
Total Assets	$ 58,170	$ 58,002	$ 168	$ 62,434	$ (4,264)
Accounts payable and other liabilities	265	296	(31)	346	(81)
Unearned revenue - prepaid assessments	-	-	-	9,219	(9,219)
Refunds of prepaid assessments	-	-	-	-	-
Liabilities due to resolutions	15,754	17,179	(1,425)	21,215	(5,461)
Deferred revenue - systemic risk	-	-	-	2,682	(2,682)
Postretirement benefit liability	224	224	-	188	36
Contingent liability for anticipated failures	1,164	2,426	(1,262)	3,556	(2,392)
Contingent liability for litigation losses	5	6	(1)	4	1
Total Liabilities	$ 17,412	$ 20,131	$ (2,719)	$ 37,210	$ (19,798)
FYI: Unrealized gain (loss) on U.S. Treasury investments, net	39	(8)	47	65	(26)
FYI: Unrealized gain (loss) on trust preferred securities	-	278	(278)	293	(293)
FYI: Unrealized postretirement benefit (loss) gain	(61)	(61)	-	(34)	(27)
Fund Balance	$ 40,758	$ 37,871	$ 2,887	$ 25,224	$ 15,534



The decline in both the gross revenue and the effective assessment rate was primarily attributed to the overall improving health of the banking industry.

Fund Financial Results - continued

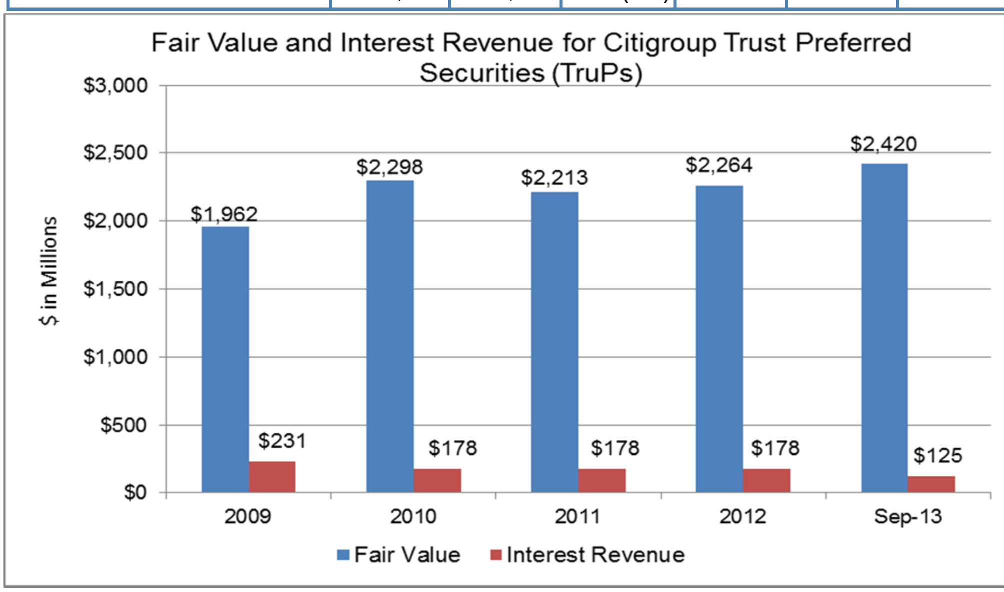
($ in Millions)

Income Statement (year-to-date)	Deposit Insurance Fund Unaudited Sep-13	Unaudited Jun-13	Quarterly Change	Unaudited Sep-12	Year-Over-Year Change
Assessments	$ 7,510	$ 5,171	2,339	$ 9,460	$ (1,950)
Systemic risk revenue	-	-	-	(4)	4
Interest on U.S. Treasury obligations	79	45	34	93	(14)
Realized gain on sale of TruPs (includes a $302 million reclassification of accumulated unrealized gain)	156	-	156	-	156
Other revenue	156	110	46	4,218	(4,062)
Total Revenue	$ 7,901	$ 5,326	2,575	$ 13,767	$ (5,866)
Operating expenses	1,173	875	298	1,309	(136)
Systemic risk expenses	-	-	-	(4)	4
Provision for insurance losses	(1,071)	(532)	(539)	(879)	(192)
Insurance and other expenses	4	4	-	3	1
Total Expenses and Losses	$ 106	$ 347	(241)	$ 429	$ (323)
Net Income (Loss)	7,795	4,979	2,816	13,338	(5,543)
Unrealized gain (loss) on U.S. Treasury investments, net	5	(42)	47	17	(12)
Unrealized gain (loss) on trust preferred securities	-	(24)	24	42	(42)
Unrealized postretirement benefit gain (loss)	-	-	-	-	-
Comprehensive Income (Loss)	$ 7,800	$ 4,913	2,887	$ 13,397	$ (5,597)

Selected Financial Data	FSLIC Resolution Fund Unaudited Sep-13	Unaudited Jun-13	Quarterly Change	Unaudited Sep-12	Year-Over-Year Change
Cash and cash equivalents	$ 871	$ 3,596	$ (2,725)	$ 3,594	$ (2,723)
Accumulated deficit	(124,459)	(124,459)	-	(124,460)	1
Total resolution equity	874	3,598	(2,724)	3,596	(2,722)
Total revenue	2	2	-	4	(2)
Operating expenses	1	1	-	4	(3)
Goodwill litigation expenses	1	1	-	181	(180)
Recovery of tax benefits	-	-	-	-	-
Net Income (Loss)	$ 1	$ 1	$ -	$ (180)	$ 181

Receivership Selected Statistics September 2013 vs. September 2012

	DIF			FRF			ALL FUNDS		
($ in millions)	Sep-13	Sep-12	*Change*	Sep-13	Sep-12	*Change*	Sep-13	Sep-12	*Change*
Total Receiverships	482	462	20	2	4	(2)	484	466	18
Assets in Liquidation	$ 13,783	$ 18,158	$ (4,375)	$ 6	$ 7	$ (1)	$ 13,789	$ 18,165	$ (4,376)
YTD Collections	$ 5,483	$ 6,337	$ (854)	$ 3	$ 18	$ (15)	$ 5,486	$ 6,355	$ (869)
YTD Dividend/Other Pmts - Cash	$ 3,173	$ 3,917	$ (744)	$ -	$ -	$ -	$ 3,173	$ 3,917	$ (744)



- The DIF has recognized total revenue of $3.310 billion ($2.420 billion exchange and $890 million in interest revenue) for the TruPs acquired as part of the 2009 Citigroup loss protection guarantee.
- The FDIC disposed of the TruPs on September 9, 2013, by transferring to Citigroup the TruPs with a par value of $2.225 billion in exchange for subordinated notes with a par value of $2.420 billion. The subordinated notes were subsequently sold by the FDIC to institutional investors on September 13, 2013.

Deposit Insurance Fund Portfolio Summary (Dollar Values in Millions)			
	9/30/13	12/31/12	Change
Par Value	$36,864	$37,086	($222)
Amortized Cost	$38,007	$37,927	$80
Total Market Value (including accrued interest)	$38,351	$38,249	$102
Primary Reserve [1]	$38,351	$38,249	$102
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Yield-to-Maturity [2]	0.42%	0.36%	0.06%
Weighted Average Maturity (in years)	1.16	0.68	0.48
Effective Duration (in years)			
Total Portfolio	1.13	0.66	0.47
Available-for-Sale Securities	1.31	0.72	0.59
Held-to-Maturity Securities [3]	not applicable	not applicable	not applicable

[1] Primary Reserve is the total market value (including accrued interest) of overnight investments, all available-for-sale securities, and held-to-maturity securities maturing within three months.

[2] The Yield-to-Maturity includes the potential yield of Treasury Inflation-Protected Securities (TIPS), which presently assumes an average 2.0% annual increase in the CPI over the remaining life of each TIPS.

[3] In early August 2008, management reclassified all of the DIF portfolio's HTM securities as AFS securities effective as of June 30, 2008, because the FDIC could no longer assert it had the positive intent and ability to hold its HTM securities until their maturity dates.

Summary of Other Corporate Investment Portfolios (Dollar Values in Millions)			
	9/30/13	12/31/12	Change
FRF-FSLIC			
Book Value [4]	$825	$3,425	($2,600) [5]
Yield-to-Maturity	0.02%	0.00%	0.02%
Weighted Average Maturity	overnight	overnight	no change

[4] Due to the current short-term nature of this portfolio, its respective Par, Book, and Market Values are identical for reporting purposes.

[5] As mentioned on page 2, FDIC returned $2.6 billion to the U.S. Treasury.

National Liquidation Fund (NLF) Investment Portfolio Summary (Dollar Values in Millions)			
	9/30/13	12/31/12	Change
Book Value [6]	$14,291	$14,702	($411)
Effective Annual Yield	0.09%	0.12%	(0.03%)
Weighted Average Maturity (in days)	39	20	19

[6] Due to the short-term nature of the NLF, the portfolio's Book and Market Values are identical for reporting purposes.

Investment Strategies	
DEPOSIT INSURANCE FUND	**Strategy for the 3rd Quarter 2013** Purchase up to $12 billion (par value) of Treasury securities with maturity dates between December 31, 2013, and June 30, 2018, subject to the following additional provisions: all newly purchased securities will be designated as available-for-sale (AFS); and no more than $3 billion (adjusted par value) of such securities shall consist of Treasury Inflation-Protected Securities (TIPS).
	Strategy Changes for 4th Quarter 2013
	Purchase up to $14 billion (par value) of Treasury securities with maturity dates between March 31, 2014, and December 31, 2018, subject to the following additional provisions: all newly purchased securities will be designated as available-for-sale (AFS); and no more than $3 billion (adjusted par value) of such securities shall consist of Treasury Inflation-Protected Securities (TIPS).
NATIONAL LIQUIDATION FUND	**Strategy for 3rd Quarter 2013** Maintain an overnight deposit target floor balance within a range of $100 million to $300 million. Strategically invest the remaining funds in the zero- to 12-month maturity sector.
	Strategy Changes for 4th Quarter 2013
	No strategy changes for the third quarter of 2013.

Executive Summary of 2013 Budget and Expenditures by Major Expense Category Through September 30, 2013 (Dollars in Thousands)					
Major Expense Category	Annual Budget	YTD Budget	YTD Expenditures	% of YTD Budget Used	YTD Variance
Corporate Operating Budget					
Ongoing Operations					
Salaries & Compensation	$1,184,356	$880,258	$835,227	95%	($45,031)
Outside Services - Personnel	279,238	191,773	160,322	84%	(31,451)
Travel	109,248	80,366	67,889	84%	(12,477)
Buildings	91,634	67,469	60,612	90%	(6,857)
Equipment	83,490	59,807	40,739	68%	(19,068)
Outside Services - Other	18,029	13,444	11,466	85%	(1,978)
Other Expenses	16,644	12,099	8,410	70%	(3,689)
Total Ongoing Operations	**$1,782,639**	**$1,305,215**	**$1,184,665**	**91%**	**($120,550)**
Receivership Funding					
Salaries & Compensation	$188,858	$141,299	$128,445	91%	($12,854)
Outside Services - Personnel	592,500	431,521	301,600	70%	(129,922)
Travel	22,079	16,563	7,621	46%	(8,942)
Buildings	37,418	28,273	22,242	79%	(6,031)
Equipment	10,687	7,030	4,527	64%	(2,503)
Outside Services - Other	6,386	4,787	3,724	78%	(1,063)
Other Expenses	42,072	31,550	17,077	54%	(14,473)
Total Receivership Funding	**$900,000**	**$661,024**	**$485,236**	**73%**	**($175,788)**
Total Corporate Operating Budget	**$2,682,639**	**$1,966,239**	**$1,669,901**	**85%**	**($296,338)**
Investment Budget [1]	**$22,031**	**$15,357**	**$16,214**	**106%**	**$857**
Grand Total	**$2,704,670**	**$1,981,596**	**$1,686,115**	**85%**	**($295,481)**

1) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2013 spending estimates for approved projects.

Executive Summary of 2013 Budget and Expenditures by Budget Component and Division/Office Through September 30, 2013 (Dollars in Thousands)					
Division/Office	Annual Budget	YTD Budget	YTD Expenditures	% of YTD Budget Used	YTD Variance
Corporate Operating Budget					
Resolutions & Receiverships	$779,124	$584,940	$403,956	69%	($180,984)
Risk Management Supervision	548,331	409,116	388,119	95%	(20,997)
Legal	297,921	222,148	216,478	97%	(5,670)
Administration	266,890	200,260	175,441	88%	(24,819)
Information Technology	258,506	187,021	164,140	88%	(22,881)
Depositor & Consumer Protection	167,398	125,734	117,864	94%	(7,870)
CIO Council	72,236	52,697	46,275	88%	(6,422)
Insurance & Research	45,414	32,552	28,516	88%	(4,036)
Finance	41,581	30,831	27,471	89%	(3,361)
Complex Financial Institutions	35,639	29,326	23,250	79%	(6,076)
Inspector General	33,722	25,114	22,241	89%	(2,873)
Executive Support [1]	40,766	25,428	21,391	84%	(4,037)
Corporate University - Corporate	23,506	17,595	15,607	89%	(1,988)
Corporate University - CEP	19,173	13,952	10,971	79%	(2,981)
Executive Offices [2]	11,380	8,525	8,182	96%	(343)
Government Litigation	1,000	1,000	0	0%	(1,000)
Corporate Unassigned	40,050	0	0	N/A	0
Total, Corporate Operating Budget	**$2,682,639**	**$1,966,239**	**$1,669,901**	**85%**	**($296,338)**
Investment Budget [3]					
Information Technology	$12,289	$9,698	$10,525	109%	$827
Administration	8,723	4,914	5,225	106%	311
Corporate University - Corporate	605	352	298	85%	(54)
Risk Management Supervision	373	361	128	35%	(233)
Resolutions & Receiverships	32	32	22	69%	(10)
Depositor & Consumer Protection	10	0	16	N/A	16
Total, Investment Budget [3]	**$22,031**	**$15,357**	**$16,214**	**106%**	**$857**
Combined Division/Office Budgets					
Resolutions & Receiverships	$779,156	$584,972	$403,978	69%	($180,994)
Risk Management Supervision	548,704	409,477	388,247	95%	(21,230)
Legal	297,921	222,148	216,478	97%	(5,670)
Administration	275,613	205,174	180,666	88%	(24,508)
Information Technology	270,795	196,719	174,665	89%	(22,054)
Depositor & Consumer Protection	167,408	125,734	117,880	94%	(7,854)
CIO Council	72,236	52,697	46,275	88%	(6,422)
Insurance & Research	45,414	32,552	28,516	88%	(4,036)
Finance	41,581	30,831	27,471	89%	(3,361)
Complex Financial Institutions	35,639	29,326	23,250	79%	(6,076)
Inspector General	33,722	25,114	22,241	89%	(2,873)
Executive Support [1]	40,766	25,428	21,391	84%	(4,037)
Corporate University - Corporate	24,111	17,947	15,905	89%	(2,042)
Corporate University - CEP	19,173	13,952	10,971	79%	(2,981)
Executive Offices [2]	11,380	8,525	8,182	96%	(343)
Government Litigation	1,000	1,000	0	0%	(1,000)
Corporate Unassigned	40,050	0	0	N/A	0
Grand Total	**$2,704,670**	**$1,981,596**	**$1,686,115**	**85%**	**($295,481)**

1) Executive Support includes the Offices of Minority and Women Inclusion, Communications, Ombudsman, Legislative Affairs, Corporate Risk Management, and Information Security and Privacy Staff.

2) Executive Offices include the offices of the Chairman, Vice Chairman, Independent Director, Deputy to the Chairman and Chief Operating Officer, Deputy to the Chairman and Chief Financial Officer, Chief Information Officer, and Deputy to the Chairman for External Affairs.

3) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2013 spending estimates for approved projects.