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

February 18, 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: Fourth Quarter 2012 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the quarter ended December 31, 2012.

Executive Summary

- During the fourth quarter of 2012, the Deposit Insurance Fund (DIF) balance increased by $7.8 billion, from $25.2 billion to $33.0 billion (audited). This quarterly increase was primarily due to a decrease in the provision for insurance losses of $3.3 billion, assessment revenue of $2.9 billion, and $1.8 billion in revenue from excess Debt Guarantee Program (DGP) fees previously held as systemic risk deferred revenue, partially offset by $469 million in operating expenses. The DIF balance has increased by $29.0 billion since the fund became positive on June 30, 2011 after seven consecutive quarters of negative balances.

- During the fourth quarter of 2012, the FDIC was named receiver for 8 failed institutions. The combined assets at inception for these institutions totaled approximately $2.1 billion with a total estimated loss of $354 million. The corporate cash outlay during the fourth quarter for these failures was approximately $568 million.

- Overall Corporate Operating Budget expenditures through December 31, 2012, were 24 percent ($796 million) below budget, largely due to substantial under spending in the Receivership Funding budget component. Spending in that component was $648 million, or 43 percent, under budget, primarily due to lower-than-budgeted spending for contractual services and operations at the site of failed financial institutions. Spending in the Ongoing Operations component was $148 million, or 8 percent, under budget.

I. <u>**Corporate Fund Financial Results**</u> (See pages 10 - 11 for detailed data and charts.)

Deposit Insurance Fund

- For 2012, the DIF's comprehensive income totaled $21.1 billion compared to comprehensive income of $19.2 billion during 2011. This $1.9 billion year-over-year increase was primarily due to a $3.3 billion increase in revenue from excess DGP fees previously held as systemic risk deferred revenue, partially offset by a $1.1 billion decrease in assessments and a $191 million increase in the provision for insurance losses.

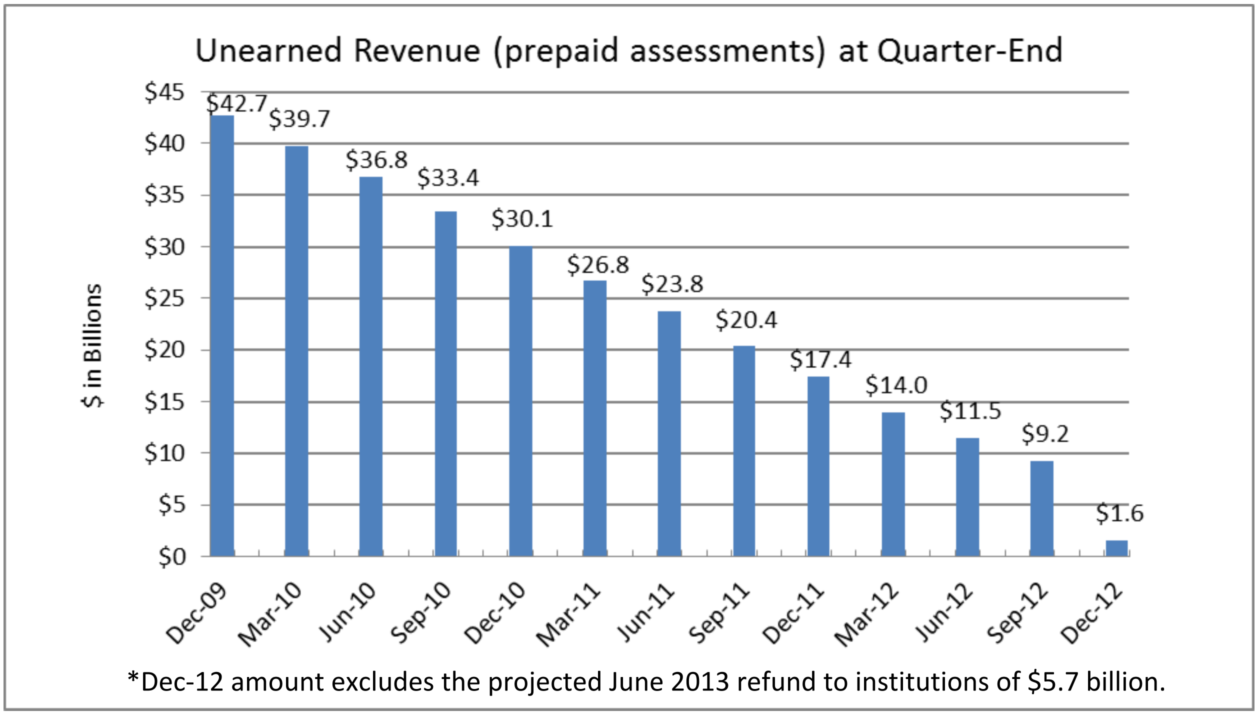
- In October 2008, in an effort to counter the system-wide crisis in the nation's financial sector, the FDIC established the Temporary Liquidity Guarantee Program (TLGP). The TLGP consisted of two components: the Transaction Account Guarantee Program (TAG) and the DGP. The TLGP TAG program expired on 12/31/2010; however, the provisions from the Dodd-Frank Act extended coverage for non-interest bearing transaction accounts through year-end 2012. The DGP, which at its peak guaranteed $345.8 billion in outstanding debt, expired on December 31, 2012. In 2012, the DIF recognized revenue of $5.9 billion, representing the remaining deferred revenue not absorbed by the TLGP for program losses. In total, the DIF increased by $9.3 billion as a result of funds received from the TLGP from guarantee fees and surcharges, net of losses.

- The provision for insurance losses was negative $4.2 billion for 2012, compared to negative $4.4 billion for 2011. The negative provision for 2012 primarily resulted from a reduction of $1.4 billion in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail and a decrease of $2.8 billion in the estimated losses for institutions that have failed in the current and prior years.

Assessments

- During the fourth quarter of 2012, the DIF recognized a total of $2.9 billion in assessment revenue. The estimate for fourth quarter 2012 insurance coverage totaled $3.0 billion—$2.0 billion was recognized for those institutions that prepaid assessments and $1.0 billion was recorded as a receivable from those institutions that did not have prepaid assessments available for offset. Additionally, the DIF recognized a net adjustment of $59 million that reduced assessment revenue. This adjustment consisted of $1 million in prior period amendments and a $60 million decrease to the estimate for third quarter 2012 insurance coverage recorded at September 30, 2012. The latter adjustment was due to lower average assessment rates.

- On December 28, 2012, the FDIC collected $623 million in DIF assessments for third quarter 2012 insurance coverage. Unearned revenue (prepaid assessments) totaled $1.6 billion on December 31, 2012; this amount excludes the projected June 2013 refund to institutions of $5.7 billion. By regulation, any remaining prepaid assessments must be refunded to the institutions after collection of the amount due on June 30, 2013. The final prepaid offset will occur in June 2013 for the assessment period ending March 31, 2013. Therefore, at December 31, 2012, the "Unearned revenue – prepaid assessments" line item on the Balance Sheet represents the final estimated prepaid offset and the "Refunds of prepaid assessments" line item reflects the estimate that will be returned to the institutions in June 2013. Though the combined total for both the prepaid offset and refunds will remain unchanged, the estimated amount for each component may vary considerably because of the uncertainty inherent in projecting the assessment rate and base for insured depository institutions beyond the customary 90-day period.



II. Investment Results (See pages 12 - 13 for detailed data and charts.)

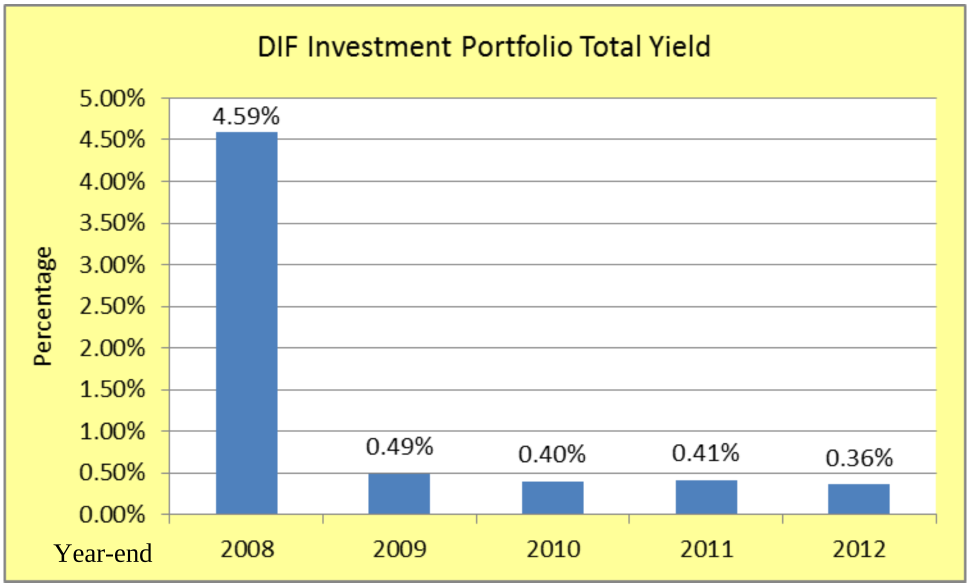
Total DIF Portfolio Liquidity

- The total liquidity available to the DIF stood at $38.2 billion on December 31, 2012, down $4.2 billion from $42.4 billion on December 31, 2011. (Until all remaining funds from the DGP investment portfolio were transferred to the DIF investment portfolio at year-end 2012, the total liquidity available to the DIF was the sum of the DIF investment portfolio and the DGP investment portfolio.)

DIF Investment Portfolio

- December 31, 2012, the DIF investment portfolio stood at $38.2 billion (total market value), higher than its December 31, 2011, balance of $37.6 billion. Over the course of the year, receivership dividends, net transfers from the DGP investment portfolio, assessments, and other inflows were slightly greater than outflows for funding initial resolution payments, operating expenses, and other payments related to receivership activities.

- On December 31, 2012, the DIF investment portfolio's yield was 0.36 percent, down five basis points from its December 31, 2011, yield of 0.41 percent. During 2012, newly purchased Treasury securities generally had lower yields than maturing securities, hence the decline in portfolio yield.



- In accordance with the approved fourth quarter 2012 DIF portfolio investment strategy, staff purchased a total of 11 short-maturity conventional Treasury securities on four occasions. The 11 securities had a total par value of $10.0 billion, a weighted average yield of 0.23 percent, and a weighted average maturity (WAM) of 0.92 years.

DGP Investment Portfolio

- On December 31, 2012, all remaining funds in the DGP investment portfolio were transferred to the DIF investment portfolio, coincident with the expiration of the DGP. Accordingly, the DGP investment portfolio balance dropped from $4.8 billion on December 31, 2011, to $0 at year-end 2012. Throughout 2012 DGP funds were transferred into the DIF investment portfolio. The final transfer of $1.2 billion occurred on December 31, 2012.

- In accordance with the approved fourth quarter 2012 DGP portfolio investment strategy, staff purchased two Treasury bills on separate occasions with a total par value of $650 million, a weighted average yield of 0.10 percent, and a WAM of 0.07 year.

III. <u>Budget Results</u> (See pages 14 - 15 for detailed data.)

Approved Budget Modifications

The 2012 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to reallocate funds within the 2012 Corporate Operating Budget, provided that such reallocations did not increase the total amount approved for either the Ongoing Operations or Receivership Funding budget components. The following budget reallocations were approved during the fourth quarter in accordance with the authority delegated by the Board of Directors. None of these modifications changed the 2012 Ongoing Operations or Receivership Funding budgets or the total 2012 Corporate Operating Budget approved by the Board.

- In December 2012, the CFO approved a reallocation of $836,500 in budget authority within the Ongoing Operations budget component from the Corporate Unassigned contingency reserve to the Executive Offices budget. This reallocation increased the Outside Services

– Personnel budget to provide funding for higher-than-projected expenses of the annual financial audit conducted by the Government Accountability Office and added $11,500 to the Travel budget to provide sufficient funding for the remainder of the year. In addition, the CFO approved the reallocation of $70,000 in budget authority within the Ongoing Operations component from the Corporate Unassigned contingency reserve to the Salary and Compensation budgets of the Office of Communications (+$50,000) and the Office of International Affairs (+$20,000) for salary and fringe benefit costs that were greater than previously projected. In addition, the Director of the Office of Minority and Women Inclusion (OMWI) approved the realignment of funds within the OMWI budget between expense categories for an account coding correction.

Following these budget reallocations, the unused amounts remaining within the Corporate Unassigned contingency reserves for the Ongoing Operations and the Receivership Funding budget components were $19,416,710, and $115,612,907, respectively.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the year ending December 31, 2012, are defined as those that either (a) exceed the annual budget for a major expense category or total division/office budget by any amount, or (b) are under the annual budget for a major expense category or division/office by an amount that exceeds $1 million and represents more than three 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 all major expense categories in the Ongoing Operations component of the 2012 Corporate Operating Budget.

- Salaries and Compensation expenditures were approximately $50 million, or 4 percent, less than budgeted. The Division of Risk Management Supervision (RMS) ($20 million), the Legal Division ($5 million), the Office of Complex Financial Institutions (CFI) ($4 million), the Division of Resolutions and Receivership (DRR) ($3 million), the Division of Insurance and Research (DIR) ($3 million), the Office of Inspector General (OIG) ($3 million), and the Division of Consumer Protection (DCP) ($3 million) all spent less than budgeted in this expense category, primarily due to vacancies in budgeted positions. Most of the variances caused by vacancies were related to authorized non-permanent positions.

- Outside Services – Personnel expenditures were approximately $55 million, or 18 percent, less than budgeted. Approximately $15 million of this variance was attributable to unused budget authority in the Corporate Unassigned contingency reserve. The CIO Council spent $9 million less than budgeted, largely due to a shift of certain CIO Council projects to the Corporation's Investment Budget because their projected cost exceeded the Investment Budget threshold and delays in beginning a number of other planned projects. CFI spent $6 million less than budgeted as it continued to refine its contracting requirements. The Division of Administration (DOA) spent $5 million less than budgeted, primarily due to lower-than-anticipated use of contractors for procurement activities, background investigations, human resources support, guards, and mail room services in the regional offices. The Division of Information Technology (DIT) spent $4 million less than budgeted, primarily due to lower-than-projected spending on internal initiatives including Windows 7 and platform upgrade projects. The Legal Division spent almost none of the nearly $3 million budgeted to reimburse the Department of Justice for the ongoing goodwill litigation.

- Travel expenditures were approximately $17 million, or 16 percent, less than budgeted. RMS spent $8 million less than budgeted, primarily due to the large number of vacant non-permanent examination positions for which budgeted travel funds were not used. The Corporate Employee Program in Corporate University (CU-CEP) spent $3 million less than budgeted due to lower average travel costs for CEP participant travel and the cancellation of one scheduled CEP class originally planned for 30 participants.

- Building expenditures were approximately $5 million, or 6 percent, less than budgeted, largely due to scheduling delays in the upgrade of the electric system for the National Data Center at Virginia Square; reduced utilities consumption; fewer-than-anticipated office moves; a change in the design/build strategy for the 550 HVAC project that delayed a significant portion of the design costs until the general contractor is brought on board in 2013; lower-than-projected expenses for the Memphis Area Office build-out; cancellation of the redesign of one floor at the San Francisco Regional Office (SFRO); delays in awarding the SFRO boiler replacement contract; and a reduction in the Atlanta Regional Office's monthly lease payments.

- Equipment expenditures were approximately $8 million, or 9 percent, less than budgeted. DIT spent $5 million less than budgeted primarily due to contract protests that impacted purchasing cycles. In addition, the DOA spent $3 million less than budgeted for furniture, fixture and equipment (FF&E) purchases from tenant improvement allowances and for copiers due to the conversion of a number of copiers to "maintenance only" contract terms.

- Outside Services – Other expenditures were approximately $4 million, or 21 percent, less than budgeted. DOA spent $3 million less than budgeted because of lower-than-expected mail-related services; a reduction in catering expenses at meetings and conferences; and reduced printing of deposit insurance materials pending clarification of the need for possible changes in the content of those materials.

- Other Expenses were approximately $8 million, or 40 percent, less than budgeted. Approximately $3 million of this variance was attributable to unused budget authority in the Corporate Unassigned contingency reserve. In addition, the variance reflected substantial underutilization by employees of the funds budgeted for Professional Learning Accounts and lower-than-projected corporate office supply purchases by DOA.

Receivership Funding

The Receivership Funding component of the 2012 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 all the major expense categories through the fourth quarter in the Receivership Funding component of the 2012 Corporate Operating Budget:

- Salaries and Compensation ($51 million, or 20 percent, less than budgeted).

- Outside Services-Personnel ($494 million, or 48 percent, less than budgeted).

- Travel ($15 million, or 44 percent, less than budgeted).

- Buildings ($49 million, or 53 percent, less than budgeted).

- Equipment ($1 million, or 9 percent, less than budgeted).

- Outside Services-Other ($4 million, or 35 percent, less than budgeted).

- Other Expenses ($34 million, or 52 percent, less than budgeted).

The variance in the Salaries and Compensation category was attributable to vacancies in budgeted non-permanent positions, primarily in the temporary satellite offices. The variance in the Outside Services-Personnel expense category was due to less costly resolutions and lower-than-anticipated asset management and marketing costs and contract support costs for failed bank resolutions. The variance in the Travel category was due to lower-than-budgeted failed bank activity. The variance in the Buildings expense category occurred as a result of shorter-than-expected operations at the site of failed banks. The variance in the Equipment category was due to lower-than-anticipated costs for online information services, software purchases, and maintenance costs. The variance in the Outside Service – Other category was due to lower-than-anticipated costs for advertising, insurance, mail, and bank service fees. The variance in the Other Expenses category was attributable to the disposition of failed bank assets and the transfer of banking operations to the Dallas office faster than expected at many failed bank sites.

Significant Spending Variances by Division/Office[1]

Fourteen organizations had significant spending variances through the end of the fourth quarter 2012:

- DRR spent $497 million, or 40 percent, less than budgeted. Approximately $490 million of this under spending was in the Receivership Funding Budget component due to lower-than-anticipated resolutions and receivership workload, as explained above.

- The Legal Division spent $32 million, or 11 percent, less than budgeted. This variance was due to under spending of approximately $16 million in the Salaries and Compensation expense category ($5 million in the Ongoing Operations budget component and $11 million in the Receivership Funding budget component), mostly due to vacancies in budgeted non-permanent positions and slower-than-projected hiring to fill those vacancies, and $15 million for outside legal services in the Outside Services – Personnel expense category in the Receivership Funding budget component.

- RMS spent $31 million, or 6 percent, less than budgeted. This variance was largely attributable to vacancies in budgeted non-permanent examination positions and lower-than-budgeted examination travel expenses resulting from those vacancies.

- DOA spent $24 million, or 9 percent, less than budgeted. This variance was largely attributable to lower-than-budgeted spending for contractor support ($5 million), facilities-related expenses ($5 million), equipment expenses ($3 million), and other expenses ($3 million) from its Ongoing Operations budget, as explained above, and lower-than-projected

[1] Information on division/office variances reflects variances in both the Corporate Operating and Investment Budgets.

expenses ($5 million) to support bank closings and related activities from its Receivership Funding budget.

- DIT spent $15 million, or 5 percent, less than budgeted. This variance was largely attributable to lower-than-projected expenses to support failed bank closings and delays in planned software procurements.

- The CIO Council spent $12 million, or 14 percent, less than budgeted. This variance was largely due to delays in beginning a number of planned projects and a shift in funding certain projects to the Corporation's Investment Budget, as explained above. In addition, a planned $3 million document management software purchase to support the IMAC project was delayed until 2013.

- CFI spent $11 million, or 17 percent, less than budgeted. This variance was attributable to lower-than-budgeted spending for contractor services.

- DCP spent $7 million, or 4 percent, less than budgeted. This variance was primarily attributable to a $3 million variance in Salaries and Compensation resulting from vacancies in budgeted non-permanent examination positions; a $1 million variance in examination travel expenses resulting from those vacancies; and a $2 million variance in contracting expenses due to delays in starting community affairs outreach projects and the biennial banker and unbanked/underbanked surveys.

- The OIG spent $6 million, or 17 percent, less than budgeted, because of vacancies in budgeted positions and lower-than-projected travel expenses.

- DIR spent $6 million, or 13 percent, less than budgeted, primarily attributable to vacancies in budgeted positions and slower-than-projected hiring to fill those vacancies ($3 million); and reduced spending for contractual services ($2 million) due to a revised strategy that will rely less on contractors for the failed bank Insight project.

- The Executive Support Offices spent approximately $5 million, or 17 percent, less than budgeted. This variance was mostly attributable to lower-than-budgeted spending for contract services and slower-than-projected hiring by the Office of Minority and Women Inclusion and the Office of Corporate Risk Management.

- The Division of Finance (DOF) spent $5 million, or 12 percent, less than budgeted. This variance was attributable to vacancies in budgeted positions and slower-than-expected hiring to fill those vacancies.

- Corporate University spent $7 million, or 16 percent, less than budgeted, including under spending of $5 million in its CU-CEP budget and $2 million in its regular organizational CU-Corporate budget. The CU-CEP variance was primarily due to lower-than-budgeted travel expenses for CEP participants and the cancellation of one scheduled CEP class that reduced spending for both Salaries and Compensation (including overtime) and Travel. The CU-Corporate variance was primarily due to lower-than-projected expenditures for certain budgeted projects in the Schools of Supervision, Insurance, Corporate Operations, and the Dallas Learning Center.

- The Legal Division spent almost none of the $3 million budgeted in the Government Litigation budget because an existing prior-year credit balance with DOJ was sufficient to cover projected FY 2013 expenses for defensive goodwill litigation.

- The Executive Offices spent $2 million, or 13 percent, less than budgeted. This variance was primarily attributable to lower-than-projected hiring to fill vacant authorized positions.

- The Corporate Unassigned contingency reserve had $135 million in unused budget authority remaining at the end of the year. That unused budget authority lapsed on December 31, 2012.

Fund Financial Results

($ in Millions)

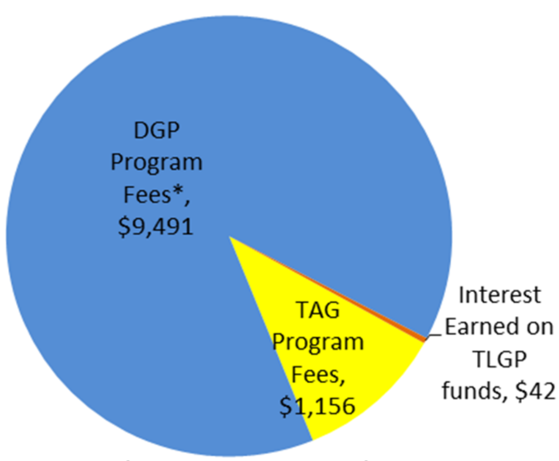
Balance Sheet	Deposit Insurance Fund				
	Audited Dec-12	Sep-12	Quarterly Change	Audited Dec-11	Year-Over-Year Change
Cash and cash equivalents	$ 3,100	$ 1,587	$ 1,513	$ 3,278	$ (178)
Cash and investments - restricted - systemic risk	-	1,115	(1,115)	4,828	(4,828)
Investment in U.S. Treasury obligations, net	34,869	35,460	(591)	33,863	1,006
Trust preferred securities	2,264	2,255	9	2,213	51
Assessments receivable, net	1,007	660	347	282	725
Receivables and other assets - systemic risk	-	1,568	(1,568)	1,948	(1,948)
Interest receivable on investments and other assets, net	433	462	(29)	488	(55)
Receivables from resolutions, net	23,120	18,948	4,172	28,549	(5,429)
Property and equipment, net	393	379	14	402	(9)
Total Assets	$ 65,186	$ 62,434	$ 2,752	$ 75,851	$ (10,665)
Accounts payable and other liabilities	350	346	4	374	(24)
Unearned revenue - prepaid assessments	1,576	9,219	(7,643)	17,400	(15,824)
Refunds of prepaid assessments	5,675	-	5,675	-	5,675
Liabilities due to resolutions	21,174	21,215	(41)	32,791	(11,617)
Debt Guarantee Program liabilities - systemic risk	-	-	-	117	(117)
Deferred revenue - systemic risk	-	2,682	(2,682)	6,640	(6,640)
Postretirement benefit liability	224	188	36	188	36
Contingent liability for anticipated failures	3,221	3,556	(335)	6,511	(3,290)
Contingent liability for systemic risk	-	-	-	2	(2)
Contingent liability for litigation losses	8	4	4	1	7
Total Liabilities	$ 32,228	$ 37,210	$ (4,982)	$ 64,024	$ (31,796)
FYI: Unrealized gain (loss) on U.S. Treasury investments, net	34	65	(31)	48	(14)
FYI: Unrealized gain (loss) on trust preferred securities	302	293	9	251	51
FYI: Unrealized postretirement benefit (loss) gain	(61)	(34)	(27)	(34)	(27)
Fund Balance	$ 32,958	$ 25,224	$ 7,734	$ 11,827	$ 21,131

Temporary Liquidity Guarantee Program Summary

December 31, 2012

(Dollars in Millions)

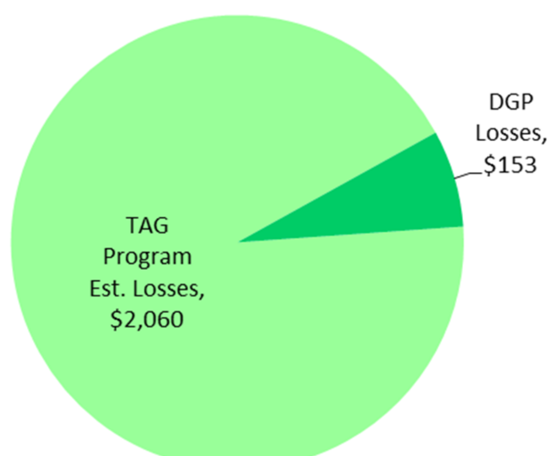
COLLECTIONS



Total Fees* & Interest Earned = $10,689

*Excludes surcharge fees of $872 million deposited in the DIF

ESTIMATED LOSSES



Total TLGP Estimated Losses = $2,213

Excess TLGP Assets (cash and net receivables), net of Program Expenses, Transferred to the DIF = $8,469

Fund Financial Results - continued

($ in Millions)

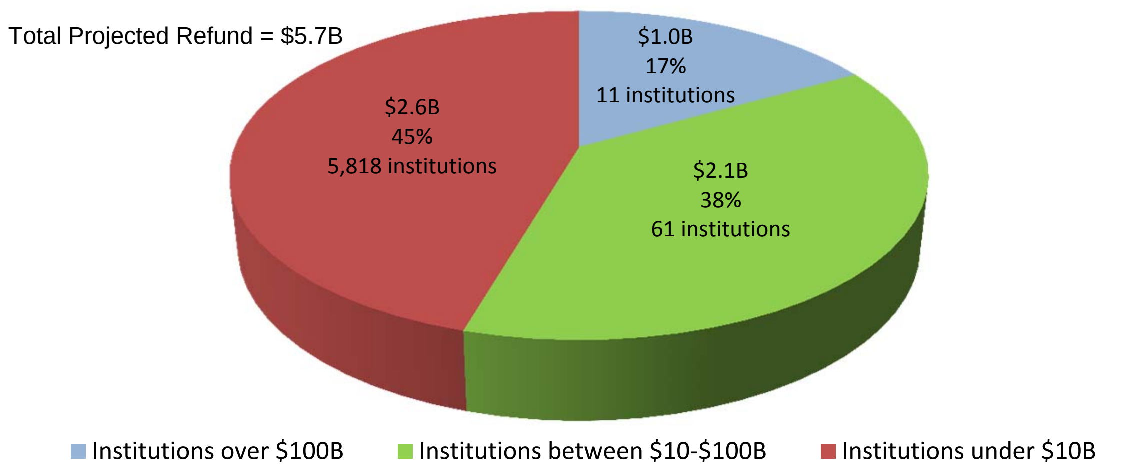
Income Statement (year-to-date)	Deposit Insurance Fund Audited Dec-12	Sep-12	Quarterly Change	Audited Dec-11	Year-Over-Year Change
Assessments earned	$ 12,397	$ 9,460	$ 2,937	$ 13,498	$ (1,101)
Systemic risk revenue	(161)	(4)	(157)	(131)	(30)
Interest on U.S. Treasury obligations	159	93	66	128	31
Other revenue	6,127	4,218	1,909	2,847	3,280
Total Revenue	$ 18,522	$ 13,767	$ 4,755	$ 16,342	$ 2,180
Operating expenses	1,778	1,309	469	1,625	153
Systemic risk expenses	(161)	(4)	(157)	(131)	(30)
Provision for insurance losses	(4,223)	(879)	(3,344)	(4,414)	191
Insurance and other expenses	7	3	4	4	3
Total Expenses and Losses	$ (2,599)	$ 429	$ (3,028)	$ (2,916)	$ 317
Net Income (Loss)	21,121	13,338	7,783	19,258	1,863
Unrealized gain (loss) on U.S. Treasury investments, net	(14)	17	(31)	21	(35)
Unrealized gain (loss) on trust preferred securities	51	42	9	(85)	136
Unrealized postretirement benefit gain (loss)	(27)	-	(27)	(15)	(12)
Comprehensive Income (Loss)	$ 21,131	$ 13,397	$ 7,734	$ 19,179	$ 1,952

Selected Financial Data	FSLIC Resolution Fund Audited Dec-12	Sep-12	Quarterly Change	Audited Dec-11	Year-Over-Year Change
Cash and cash equivalents	$ 3,594	$ 3,594	$ -	$ 3,533	$ 61
Accumulated deficit	(124,460)	(124,460)	-	(124,281)	(179)
Total resolution equity	3,597	3,596	1	3,595	2
Total revenue	5	4	1	5	-
Operating expenses	4	4	-	5	(1)
Goodwill litigation expenses	181	181	-	83	98
Recovery of tax benefits	-	-	-	(18)	18
Net Income (Loss)	$ (179)	$ (180)	$ 1	$ (56)	$ (123)

Receivership Selected Statistics December 2012 vs. December 2011

$ in millions	DIF			FRF			ALL FUNDS		
	Dec-12	Dec-11	*Change*	Dec-12	Dec-11	*Change*	Dec-12	Dec-11	*Change*
Total Receiverships	463	426	37	3	5	(2)	466	431	35
Assets in Liquidation	$ 16,989	$ 20,891	$ (3,902)	$ 7	$ 22	$ (15)	$ 16,996	$ 20,913	$ (3,917)
YTD Collections	$ 8,381	$ 12,352	$ (3,971)	$ 18	$ 10	$ 8	$ 8,399	$ 12,362	$ (3,963)
YTD Dividend/Other Pymts - Cash	$ 4,978	$ 8,876	$ (3,898)	$ -	$ -	$ -	$ 4,978	$ 8,876	$ (3,898)

June 2013 Prepaid Assessment Refund to Institutions
Projected as of 12/31/2012
(Distributed by Assessment Base Size)



Deposit Insurance Fund Portfolio Summary

(Dollar Values in Millions)

	12/31/12	12/31/11	Change
Par Value	$37,086	$36,784	$302
Amortized Cost	$37,927	$37,337	$590
Total Market Value (including accrued interest)	$38,249	$37,580	$669
Primary Reserve [1]	$38,249	$37,580	$669
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Yield-to-Maturity [2]	0.36%	0.41%	(0.05%)
Weighted Average Maturity (in years)	0.68	0.66	0.02
Effective Duration (in years) [3]			
Total Portfolio	0.64	0.62	0.02
Available-for-Sale Securities	0.70	0.73	(0.03%)
Held-to-Maturity Securities [4]	not applicable	not applicable	not applicable

[1] Primary Reserve is the total market value (including accrued interest) of overnight investments, 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] For each TIPS, an estimated 80 percent "yield beta" factor is applied to its real yield duration to arrive at an estimated effective duration.

[4] 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)

	12/31/12	12/31/11	Change
Debt Guarantee Program			
Par Value	$0	$4,764	($4,764)
Book Value	$0	$4,807	($4,807)
Total Market Value (including accrued interest)	$0	$4,827	($4,827)
Yield-to-Maturity	not applicable	0.11%	not applicable
Weighted Average Maturity (in years)	not applicable	0.21	not applicable
FRF-FSLIC			
Book Value [5]	$3,425	$3,377	$48
Yield-to-Maturity	0.00%	0.00%	0.00%
Weighted Average Maturity	overnight	overnight	no change

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

National Liquidation Fund (NLF) Investment Portfolio Summary

(Dollar Values in Millions)

	12/31/12	12/31/11	Change
Book Value [6]	$14,702	$17,052	($2,350)
Effective Annual Yield	0.12%	0.10%	0.02%
Weighted Average Maturity (in days)	20	9	11

[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 4th Quarter 2012** Purchase up to $10 billion (par value) of available-for-sale (AFS) securities with maturity dates between March 31, 2013, and March 31, 2016, subject to the following additional restrictions: no more than $7 billion (par value) of such securities shall have maturity dates beyond March 31, 2014; no more than $4 billion (par value) of such securities shall have maturity dates beyond March 31, 2015; and no more than $4 billion (adjusted par value) of such securities shall consist of Treasury Inflation-Protected Securities.
	Strategy Changes for 1st Quarter 2013
	Purchase up to <u>$4 billion</u> (par value) of available-for-sale (AFS) securities with maturity dates between <u>June 30, 2013</u>, and <u>June 30, 2016</u>, subject to the following additional restrictions: no more than <u>$3 billion</u> (par value) of such securities shall have maturity dates beyond <u>June 30, 2014;</u> no more than <u>$2 billion</u> (par value) of such securities shall have maturity dates beyond <u>June 30, 2015</u>; and no more than <u>$2 billion</u> (adjusted par value) of such securities shall consist of Treasury Inflation-Protected Securities.
Debt Guarantee Program	**Strategy for 4th Quarter 2012** Invest all available funds in overnight investments and/or in short-maturity AFS Treasury bills with maturities not exceeding December 27, 2012.
	Strategy Changes for 1st Quarter 2013
	<u>No investment strategy for the first quarter of 2013, as the portfolio was terminated at year-end 2012.</u>
National Liquidation Fund	**Strategy for 4th Quarter 2012** 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 1st Quarter 2013
	No strategy changes for the first quarter of 2013.

Executive Summary of 2012 Budget and Expenditures by Major Expense Category Through December 31, 2012 (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	$1,146,344	$1,146,344	$1,096,103	96%	($50,241)
Outside Services - Personnel	301,587	301,587	246,726	82%	(54,861)
Travel	110,791	110,791	93,618	84%	(17,173)
Buildings	91,594	91,594	86,157	94%	(5,437)
Equipment	91,325	91,325	82,994	91%	(8,331)
Outside Services - Other	19,726	19,726	15,608	79%	(4,118)
Other Expenses	19,411	19,411	11,627	60%	(7,784)
Total Ongoing Operations	**$1,780,779**	**$1,780,779**	**$1,632,833**	**92%**	**($147,946)**
Receivership Funding					
Salaries & Compensation	$248,759	$248,759	$197,840	80%	($50,919)
Outside Services - Personnel	1,035,101	1,035,101	541,270	52%	(493,831)
Travel	34,601	34,601	19,272	56%	(15,329)
Buildings	93,326	93,326	43,835	47%	(49,491)
Equipment	13,019	13,019	11,871	91%	(1,148)
Outside Services - Other	10,640	10,640	6,928	65%	(3,712)
Other Expenses	64,554	64,554	30,714	48%	(33,840)
Total Receivership Funding	**$1,500,000**	**$1,500,000**	**$851,730**	**57%**	**($648,270)**
Total Corporate Operating Budget	**$3,280,779**	**$3,280,779**	**$2,484,563**	**76%**	**($796,216)**
Investment Budget [1]	**$14,356**	**$14,356**	**$13,950**	**97%**	**($406)**
Grand Total	**$3,295,135**	**$3,295,135**	**$2,498,513**	**76%**	**($796,622)**

1) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2012 spending estimates for approved projects.

Executive Summary of 2012 Budget and Expenditures by Budget Component and Division/Office Through December 31, 2012 (Dollars in Thousands)					
Division/Office	Annual Budget	YTD Budget	YTD Expenditures	% of YTD Budget Used	YTD Variance
Corporate Operating Budget					
Resolutions & Receiverships	$1,231,672	$1,231,672	$734,550	60%	($497,122)
Risk Management Supervision	535,067	535,067	504,454	94%	(30,613)
Legal	304,470	304,470	272,136	89%	(32,334)
Information Technology	285,997	285,997	271,799	95%	(14,198)
Administration	272,750	272,750	248,395	91%	(24,355)
Depositor & Consumer Protection	159,841	159,841	152,768	96%	(7,073)
CIO Council	84,521	84,521	72,517	86%	(12,004)
Complex Financial Institutions	61,207	61,207	50,603	83%	(10,604)
Insurance & Research	43,604	43,604	38,100	87%	(5,504)
Finance	41,636	41,636	36,783	88%	(4,853)
Inspector General	35,743	35,743	29,690	83%	(6,053)
Executive Support [1]	31,152	31,152	25,928	83%	(5,224)
Corporate University - Corporate	23,408	23,408	21,172	90%	(2,236)
Corporate University - CEP	19,468	19,468	14,736	76%	(4,732)
Executive Offices [2]	12,513	12,513	10,923	87%	(1,590)
Government Litigation	2,700	2,700	9	0%	(2,691)
Corporate Unassigned	135,030	135,030	0	0%	(135,030)
Total, Corporate Operating Budget	**$3,280,779**	**$3,280,779**	**$2,484,563**	**76%**	**($796,216)**
Investment Budget [3]					
Information Technology	$13,213	$13,213	$12,865	97%	($348)
Risk Management Supervision	531	531	584	110%	53
Corporate University - Corporate	345	345	310	90%	(35)
Administration	250	250	164	66%	(86)
Resolutions and Receivership	10	10	20	200%	10
Depositor & Consumer Protection	7	7	7	100%	0
Total, Investment Budget [3]	**$14,356**	**$14,356**	**$13,950**	**97%**	**($406)**
Combined Division/Office Budgets					
Resolutions & Receiverships	$1,231,682	$1,231,682	$734,570	60%	($497,112)
Risk Management Supervision	535,598	535,598	505,038	94%	(30,560)
Information Technology	299,210	299,210	284,664	95%	(14,546)
Legal	304,470	304,470	272,136	89%	(32,334)
Administration	273,000	273,000	248,559	91%	(24,441)
Depositor & Consumer Protection	159,848	159,848	152,775	96%	(7,073)
CIO Council	84,521	84,521	72,517	86%	(12,004)
Complex Financial Institutions	61,207	61,207	50,603	83%	(10,604)
Insurance & Research	43,604	43,604	38,100	87%	(5,504)
Finance	41,636	41,636	36,783	88%	(4,853)
Inspector General	35,743	35,743	29,690	83%	(6,053)
Executive Support [1]	31,152	31,152	25,928	83%	(5,224)
Corporate University - Corporate	23,753	23,753	21,482	90%	(2,271)
Corporate University - CEP	19,468	19,468	14,736	76%	(4,732)
Executive Offices [2]	12,513	12,513	10,923	87%	(1,590)
Government Litigation	2,700	2,700	9	0%	(2,691)
Corporate Unassigned	135,030	135,030	0	0%	(135,030)
Grand Total	**$3,295,135**	**$3,295,135**	**$2,498,513**	**76%**	**($796,622)**

1) Executive Support includes the Offices of Minority and Women Inclusion, Communications (formerly Public Affairs), Ombudsman, Legislative Affairs, Corporate Risk Management, and International Affairs.

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, 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 2012 spending estimates for approved projects.