FDIC

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

March 14, 2014

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 2013 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the quarter ended December 31, 2013.

Executive Summary

- During the fourth quarter of 2013, the DIF balance increased by $6.4 billion, from $40.8 billion to $47.2 billion (audited). This quarterly increase was primarily due to $2.2 billion of assessment revenue and a $4.6 billion decrease in the provision for insurance losses, partially offset by $436 million of operating expenses.

- During 2013, the FDIC continued to make significant progress in rebuilding the DIF. Since year-end 2009 when the fund balance fell to a low point of negative $20.9 billion, the DIF balance has increased by $68.1 billion to $47.2 billion as of year-end 2013. This increase in the DIF balance was primarily due to cumulative assessment revenue of $49.2 billion and a decrease of $15.1 billion in the estimated losses for actual and anticipated bank failures.

- During the fourth quarter of 2013, the FDIC was named receiver for 2 failed institutions. The combined assets at inception for these institutions totaled approximately $159 million with a total estimated loss of $16 million. The corporate cash outlay during the fourth quarter for these failures was approximately $21 million.

- Overall Corporate Operating Budget expenditures through December 31, 2013, were 15 percent ($396 million) below budget, largely due to substantial under spending in the Receivership Funding budget component. Spending in that component was $227 million, or 25 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 $169 million, or 9 percent, under budget, largely due to under spending for salaries and compensation, contractual services, and travel.

I. <u>Corporate Fund Financial Results</u> (See pages 8 - 9 for detailed data and charts.)

Deposit Insurance Fund

- For 2013, the DIF's comprehensive income totaled $14.2 billion compared to comprehensive income of $21.1 billion during 2012. This $6.9 billion year-over-year decrease was primarily due to a $6.0 billion decrease in other revenue and a $2.7 billion decrease in assessments, partially offset by a $1.4 billion decrease in provision for insurance losses.

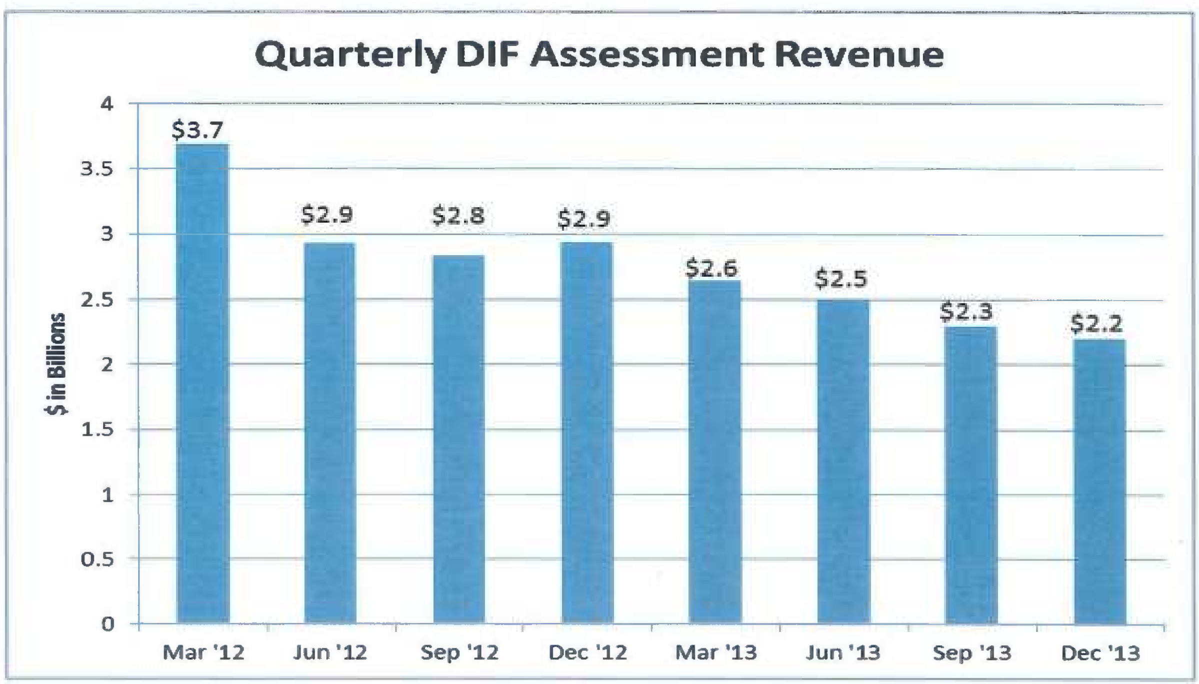
- The year-over-year decrease of $6.0 billion in other revenue primarily resulted from the recognition of $5.9 billion in revenue in 2012 for the Debt Guarantee Program fees that were previously held as systemic risk deferred revenue.

- The provision for insurance losses was negative $5.7 billion for 2013, compared to negative $4.2 billion for 2012. The negative provision primarily resulted from a $1.0 billion decrease in the contingent liability for anticipated failures due to the improvement in the financial condition of troubled institutions and a $4.8 billion decrease in the estimated losses for institutions that have failed in prior years.

Assessments

- During the fourth quarter of 2013, the DIF recognized $2.2 billion in assessment revenue for the estimated fourth quarter 2013 insurance coverage. On December 30, 2013, the FDIC collected $2.4 billion in DIF assessments for third quarter 2013 insurance coverage.

- Continued improvements in banks' CAMELS ratings and financial condition have reduced banks' risk-based assessment rates, resulting in a decline in DIF assessment revenue.



II. Investment Results (See pages 10 - 11 for detailed data and charts.)

DIF Investment Portfolio

- On December 31, 2013, the total liquidity (also total market value) of the DIF investment portfolio stood at $42.5 billion, higher than its December 31, 2012, balance of $38.2 billion. During the year, interest revenue, receivership dividends, deposit insurance assessment collections, and proceeds from the disposition of the Citigroup TruPS exceeded resolution-related outlays and operating expenses.
- On December 31, 2013, the DIF investment portfolio's yield was 0.45 percent, up nine basis points from its December 31, 2012, yield of 0.36 percent. During the year, newly purchased Treasury securities generally had higher yields than maturing securities, primarily contributing to the increase in portfolio yield.
- In accordance with the approved fourth quarter 2013 DIF portfolio investment strategy, staff purchased a total of 13 short- to intermediate-maturity conventional Treasury securities. The 13 securities had a total par value of $12.1 billion, a weighted average yield of 0.51 percent, and a weighted average maturity (WAM) of 1.91 years.

III. Budget Results (See pages 12 - 13 for detailed data.)

Approved Budget Modifications

The 2013 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to reallocate funds within the 2013 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 total approved budgets for either the 2013 Ongoing Operations or Receivership Funding budget components or the overall 2013 Corporate Operating Budget approved by the Board.

- In November 2013, the CFO approved a reallocation of $32,000,000 in budget authority within the Receivership Funding budget component from the Corporate Unassigned contingency reserve ($14,343,746) and the Division of Resolutions and Receiverships (DRR) budget ($17,656,254) to the Legal Division budget. This reallocation increased the Outside Services – Personnel budget of the Legal Division from $118,984,773 to $150,984,773 to ensure that sufficient funds were available to cover outside counsel expenses resulting from the increased number of professional liability cases that are being presented to and approved by the Board (approximately $12.6 million of this amount was not spent by year-end). In addition, the CFO approved the reallocation of $1,300,000 in budget authority within the Ongoing Operations component from the Corporate Unassigned contingency reserve to the Salary and Compensation budgets of the Division of Administration (DOA) ($600,000), Corporate University (CU) ($350,000), Information Security and Privacy Staff (ISPS) ($150,000), Office of Communication (OCOM) ($100,000), and the Office of the Chief Information Officer (CIO) ($100,000) for salary and fringe benefit costs that were greater than previously projected.
- In December 2013, the CFO approved the reallocation of $103,500 in budget authority within the Ongoing Operations budget of the Executive Offices to provide additional funds

for the Chairman's Office and the Office of the CIO travel budgets to cover regular duty travel expenses planned by those offices.

Following these budget reallocations, the unused amounts remaining within the Corporate Unassigned contingency reserve for the Ongoing Operations budget component was $24,406,393. The November reallocation fully utilized the remaining Receivership Funding contingency reserve.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the year ending December 31, 2013, 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

Ongoing Operations

There were significant spending variances in all major expense categories in the Ongoing Operations component of the 2013 Corporate Operating Budget.

- Salaries and Compensation expenditures were approximately $70 million, or 6 percent, less than budgeted. The Division of Risk Management Supervision (RMS) ($19 million), the Legal Division ($12 million), the Division of Consumer Protection (DCP) ($6 million), the Division of Insurance and Research (DIR) ($6 million), the Division of Information Technology (DIT) ($6 million), and DRR ($5 million) all spent less than budgeted in this expense category, primarily due to vacancies in budgeted positions. Most of the variances were related to authorized non-permanent positions.

- Outside Services – Personnel expenditures were approximately $57 million, or 20 percent, less than budgeted. Approximately $16 million of this variance was attributable to unused budget authority in the Corporate Unassigned contingency reserve. The CIO Council spent $12 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 Office of Complex Financial Institutions (OCFI) spent $4 million less than budgeted due to the cancellation of one planned project and the termination of another existing project. DOA spent $4 million less than budgeted, primarily due to significant savings from a new Acquisition Services contract with decreased hourly rates charged; lower-than-anticipated contract expenses for services associated with the Student Residence Center; a decline in administrative support requirements performed by the contractors; significant savings from using FDIC staff instead of contractors to prepare pre-retirement estimates and updates to the FDIC Human Capital plan; and the cancellation of training seminars due to low attendance. In addition, DRR spent $3 million less than budgeted, primarily due to delays in initiating projects in its Complex Financial Institutions Branch, and DIT spent $3 million less than budgeted because expected expenses were not incurred for transition to new Information Technology Application Services (ITAS) contracts due to delays in awarding those contracts.

- Travel expenditures were approximately $19 million, or 18 percent, less than budgeted. RMS spent $7 million less than budgeted and DCP spent $2 million less than budgeted, primarily due to vacancies in field examination positions that resulted in lower regular duty and relocation travel expenses. The Corporate Employee Program in Corporate University (CU-CEP) spent $2 million less than budgeted for regular travel for Financial Institution Specialists. In addition, DRR spent $2 million less than anticipated for regular duty travel and relocation costs, and OCFI spent nearly $2 million less than budgeted for relocation costs during the year.

- Building expenditures were approximately $11 million, or 11 percent, less than budgeted. This variance was largely due to unanticipated contractor delays in the Student Residence Center pipe replacement project; delays in awarding a contract for the Building Management System (BMS) project in the San Francisco Regional Office; a change in approach to the design process for the 550 Building HVAC replacement project; lower-than-projected utilities consumption; and successful negotiations with landlords to pay for field office build-outs and architecture and engineering (A&E) expenses as part of the lease agreement.

- Equipment expenditures were approximately $6 million, or 7 percent, less than budgeted. DOA spent $5 million less than budgeted due to delays in the deployment of the new Personal Identification Verification (PIV) Card access control system; decisions to repair and refurbish existing furniture, fixture and equipment (FF&E), whenever possible, rather than replace it; and reduced lease costs due to the conversion of a large number of copiers from lease to purchase.

- Outside Services – Other expenditures were approximately $3 million, or 15 percent, less than budgeted because of lower-than-expected mail-related services; a reduction in catering expenses for meetings and conferences; increased use of in-house printing services; and successful efforts to reduce the quantities of printed materials ordered.

- Other Expenses were approximately $4 million, or 27 percent, less than budgeted. The variance reflected substantial underutilization by employees of the funds budgeted for Professional Learning Accounts and lower-than-projected expenses for the purchase of corporate office supplies 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 salaries, benefits, and related expenses for permanent employees assigned to the receivership management function.

There were significant spending variances in all major expense categories in the Receivership Funding component of the 2013 Corporate Operating Budget:

- Salaries and Compensation ($19 million, or 10 percent, less than budgeted). This variance was attributable to vacancies in budgeted non-permanent positions, primarily in the temporary satellite offices.

- Outside Services-Personnel ($160 million, or 27 percent, less than budgeted). This variance was attributable to less costly resolutions and lower-than-anticipated expenses for asset management and marketing costs under Receivership Assistance Contracts (RACs), contractual support for the review of loss share agreements, and due diligence, owned real estate (ORE), loan servicing, and securitization services.

- Travel ($13 million, or 57 percent, less than budgeted). The variance in the Travel category was due to fewer closings than anticipated and fewer trips needed for loss share agreement oversight and FDIC-managed loans.

- Buildings ($8 million, or 22 percent, less than budgeted). This variance occurred as a result of shorter-than-expected operations at the site of failed banks.

- Equipment ($5 million, or 45 percent, less than budgeted). This variance was due to lower-than-anticipated costs for online information services, software purchases, and software maintenance costs.

- Outside Services – Other ($2 million, or 25 percent, less than budgeted). The variance in the Outside Service – Other category was due to lower than anticipated costs for insurance, advertising, mail, and bank service fees.

- Other Expenses ($21 million, or 51 percent, less than budgeted). The variance in the Other Expenses category was attributable to the disposition of failed bank assets and the transfer of banking operations to DRR's Dallas office faster than expected at many failed bank sites.

Significant Spending Variances by Division/Office[1]

All divisions and offices had significant spending variances from their 2013 budgets.

- DRR spent $197 million, or 26 percent, less than budgeted. Approximately $186 million of this under spending was in the Receivership Funding budget component due to lower-than-anticipated resolutions and receivership workload.

- The Legal Division spent $38 million, or 12 percent, less than budgeted. Approximately half of this variance ($19 million) was due to under spending in the Salaries and Compensation expense category ($12 million in the Ongoing Operations budget component and $7 million in the Receivership Funding budget component), largely due to vacancies in budgeted non-permanent positions and slower-than-projected hiring to fill those vacancies. Most of the remainder of the variance reflected under spending for outside legal services in the Receivership Funding budget component.

- RMS spent $29 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 resulting from those vacancies.

- DOA spent $27 million, or 10 percent, less than budgeted. In its Ongoing Operations budget, this variance was largely attributable to lower-than-budgeted spending for facilities expenses, equipment, and contractor support. In its Receivership Funding budget, the variance was attributable to lower-than-projected contract expenses to support bank closings and related activities.

- DIT spent $27 million, or 10 percent, less than budgeted. This variance was largely attributable to lower-than-projected expenses to support failed bank closings and vacancies in budgeted positions.

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

- The CIO Council spent $10 million, or 14 percent, less than budgeted. This variance was largely due to lower-than-expected spending on discretionary systems development projects and the IMAC project.

- DCP spent $9 million, or 5 percent, less than budgeted. This variance was primarily attributable to vacancies in budgeted non-permanent examination positions and lower-than-budgeted examination travel expenses resulting from those vacancies.

- OCFI spent $8 million, or 21 percent, less than budgeted. This variance was attributable to lower-than-budgeted spending for contractor services, vacancies in budgeted positions and lower-than-expected spending for relocation expenses.

- DIR spent $7 million, or 15 percent, less than budgeted, primarily attributable to vacancies in budgeted positions and slower-than-projected hiring to fill those vacancies.

- CU spent $6 million, or 14 percent, less than budgeted, including under spending of $4 million in its CEP budget (CU-CEP) and $2 million in its regular organizational budget (CU-Corporate). The CU-CEP variance was primarily due to lower-than-budgeted travel expenses for FISs in the CEP 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 budgeted projects in the Dallas Learning Center and the Schools of Supervision, Insurance, Leadership Development, and Corporate Operations.

- The combined Executive Support Offices spent approximately $6 million, or 14 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.

- The Division of Finance (DOF) spent $5 million, or 12 percent, less than budgeted. This variance was attributable to vacancies in budgeted positions, slower-than-projected hiring to fill those vacancies, and lower-than-budgeted spending for contractor accounting and auditing services.

- The Office of Inspector General spent $4 million, or 11 percent, less than budgeted because of vacancies in budgeted positions and lower-than-projected travel expenses.

- The Executive Offices spent $1 million, or 9 percent, less than budgeted due largely to lower-than-projected hiring to fill vacant authorized positions.

- The Corporate Unassigned contingency reserve had $24 million in unused budget authority remaining at the end of the year. That unused budget authority lapsed on December 31, 2013.

Fund Financial Results

($ in Millions)

Balance Sheet	Deposit Insurance Fund Audited Dec-13	Unaudited Sep-13	Quarterly Change	Audited Dec-12	Year-Over-Year Change
Cash and cash equivalents	$ 3,543	$ 5,330	$ (1,787)	$ 3,100	$ 443
Investment in U.S. Treasury obligations, net	38,511	32,729	5,782	34,869	3,642
Trust preferred securities	-	-	-	2,264	(2,264)
Assessments receivable, net	2,228	2,391	(163)	1,007	1,221
Interest receivable on investments and other assets, net	511	409	102	433	78
Receivables from resolutions, net	16,345	16,938	(593)	23,120	(6,775)
Property and equipment, net	377	373	4	393	(16)
Total Assets	$ 61,515	$ 58,170	$ 3,345	$ 65,186	$ (3,671)
Accounts payable and other liabilities	300	265	35	350	(50)
Unearned revenue - prepaid assessments	-	-	-	1,576	(1,576)
Refunds of prepaid assessments	-	-	-	5,675	(5,675)
Liabilities due to resolutions	12,626	15,754	(3,128)	21,174	(8,548)
Postretirement benefit liability	194	224	(30)	224	(30)
Contingent liability for anticipated failures	1,199	1,164	35	3,221	(2,022)
Contingent liability for litigation losses	5	5	-	8	(3)
Total Liabilities	$ 14,324	$ 17,412	$ (3,088)	$ 32,228	$ (17,904)
FYI: Unrealized gain (loss) on U.S. Treasury investments, net	20	39	(19)	34	(14)
FYI: Unrealized gain (loss) on trust preferred securities	-	-	-	302	(302)
FYI: Unrealized postretirement benefit (loss) gain	(16)	(61)	45	(61)	45
Fund Balance	$ 47,191	$ 40,758	$ 6,433	$ 32,958	$ 14,233

Income Statement Trend Schedule

$ in Billions	2008	2009	2010	2011	2012	2013	Cumulative
Assessments	3.0	17.7	13.6	13.5	12.4	9.7	69.9
Earnings on UST Invmts	4.7	-	0.1	0.1	0.1	0.1	5.2
Guarantee-Related Revenue:							
Citi-term fee/earnings	-	2.2	0.5	0.1	0.2	0.3	3.3
TLGP (net of losses)	-	-	-	2.6	5.9	-	8.5
Other	-	1.0	0.04	0.1	0.1	0.03	1.2
Operating Expenses	1.0	1.3	1.6	1.6	1.8	1.6	8.9
Provision for Ins Losses	41.8	57.7	(0.8)	(4.4)	(4.2)	(5.7)	84.4
Comprehensive Income	(35.1)	(38.1)	13.5	19.2	21.1	14.2	(5.2)
Fund Balance	17.3	(20.9)	(7.4)	11.8	33.0	47.2	

Since year-end 2007, the DIF's balance has declined from $52.4 billion to $47.2 billion, a total drop of $5.2 billion. However over this same time period, the DIF has absorbed $84.6 billion in estimated losses for both actual and anticipated bank failures ($83.4 billion and $1.2 billion, respectively).

Fund Financial Results - continued

($ in Millions)

Income Statement (year-to-date)	Deposit Insurance Fund Audited Dec-13	Unaudited Sep-13	Quarterly Change	Audited Dec-12	Year-Over-Year Change
Assessments earned	$ 9,734	$ 7,510	$ 2,224	$ 12,397	$ (2,663)
Systemic risk revenue	-	-	-	(161)	161
Interest on U.S. Treasury obligations	104	79	25	159	(55)
Realized gain on sale of TruPS	458	458	-	-	458
Other revenue	163	156	7	6,127	(5,964)
Total Revenue	$ 10,459	$ 7,901	$ 2,558	$ 18,522	$ (8,063)
Operating expenses	1,609	1,173	436	1,778	(169)
Systemic risk expenses	-	-	-	(161)	161
Provision for insurance losses	(5,659)	(1,071)	(4,588)	(4,223)	(1,436)
Insurance and other expenses	4	4	-	7	(3)
Total Expenses and Losses	$ (4,046)	$ 106	$ (4,152)	$ (2,599)	$ (1,447)
Net Income	14,505	7,795	6,710	21,121	(6,616)
Unrealized gain (loss) on U.S. Treasury investments, net	(14)	5	(19)	(14)	-
Unrealized gain (loss) on trust preferred securities	(302)	(302)	-	51	(353)
Unrealized postretirement benefit gain (loss)	44	-	44	(27)	71
Comprehensive Income	$ 14,233	$ 7,800	$ 6,433	$ 21,131	$ (6,898)

Selected Financial Data	FSLIC Resolution Fund Audited Dec-13	Unaudited Sep-13	Quarterly Change	Audited Dec-12	Year-Over-Year Change
Cash and cash equivalents	$ 871	$ 871	$ -	$ 3,594	$ (2,723)
Accumulated deficit	(124,460)	(124,459)	(1)	(124,460)	-
Total resolution equity	872	874	(2)	3,597	(2,725)
Total revenue	3	2	1	5	(2)
Operating expenses	2	1	1	4	(2)
Goodwill litigation expenses	1	1	-	181	(180)
Recovery of tax benefits	-	-	-	-	-
Net Income (Loss)	$ (1)	$ 1	$ (2)	$ (179)	$ 178

Receivership Selected Statistics December 2013 vs. December 2012

$ in millions	DIF			FRF			ALL FUNDS		
	Dec-13	Dec-12	*Change*	Dec-13	Dec-12	*Change*	Dec-13	Dec-12	*Change*
Total Receiverships	479	463	16	1	3	(2)	480	466	14
Assets in Liquidation	$ 11,299	$ 16,989	$ (5,690)	$ 5	$ 7	$ (2)	$ 11,304	$ 16,996	$ (5,692)
YTD Collections	$ 8,835	$ 8,381	$ 454	$ 4	$ 18	$ (14)	$ 8,839	$ 8,399	$ 440
YTD Dividend/Other Pymts - Cash	$ 5,690	$ 4,978	$ 712	$ -	$ -	$ -	$ 5,690	$ 4,978	$ 712

DIF Cash Receipts and Disbursements - Key Activities	2013	2012
Cash Inflows		
Assessments	$ 7,112	$ 1,525
Interest on UST obligations	1,080	1,089
Recoveries from resolutions	5,696	4,938
Sale of trust preferred securities	2,420	0
Cash Outflows		
Operating expenses	$ (1,558)	$ (1,703)
Disbursements for resolutions	(3,857)	(8,999)
Refunds of prepaid assessments	(5,850)	0
Net (purchase)/maturity of UST obligations	(4,760)	(1,256)

Deposit Insurance Fund Portfolio Summary (Dollar Values in Millions)			
	12/31/13	12/31/12	Change
Par Value	$40,682	$37,086	$3,596
Amortized Cost	$42,025	$37,927	$4,098
Total Market Value (including accrued interest)	$42,461	$38,249	$4,212
Primary Reserve [1]	$42,461	$38,249	$4,212
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Yield-to-Maturity [2]	0.45%	0.36%	0.09%
Weighted Average Maturity (in years)	1.41	0.68	0.73
Effective Duration (in years)			
Total Portfolio	1.36	0.66	0.70
Available-for-Sale Securities	1.49	0.72	0.77
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)			
	12/31/13	12/31/12	Change
FRF-FSLIC			
Book Value [4]	$826	$3,425	($2,599)
Yield-to-Maturity	0.01%	0.00%	0.01%
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)			
	12/31/13	12/31/12	Change
Book Value [5]	$13,657	$14,702	($1,045)
Effective Annual Yield	0.10%	0.12%	(0.02%)
Weighted Average Maturity (in days)	62	20	42

[5] 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 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). **Strategy Changes for 1st Quarter 2014** Purchase up to $10 billion (par value) of Treasury securities with maturity dates between June 30, 2014, and March 31, 2019, 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 4th 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 1st Quarter 2014** No strategy changes for the first quarter of 2014.

Executive Summary of 2013 Budget and Expenditures
by Major Expense Category
Through December 31, 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	$1,184,356	$1,114,708	94%	($69,648)
Outside Services - Personnel	279,135	279,135	222,578	80%	(56,557)
Travel	109,351	109,351	90,112	82%	(19,239)
Buildings	91,634	91,634	81,134	89%	(10,500)
Equipment	83,490	83,490	77,629	93%	(5,861)
Outside Services - Other	18,029	18,029	15,269	85%	(2,760)
Other Expenses	16,644	16,644	12,184	73%	(4,460)
Total Ongoing Operations	**$1,782,639**	**$1,782,639**	**$1,613,614**	**91%**	**($169,025)**
Receivership Funding					
Salaries & Compensation	$187,572	$187,572	$168,795	90%	($18,777)
Outside Services - Personnel	594,213	594,213	434,518	73%	(159,695)
Travel	22,079	22,079	9,537	43%	(12,542)
Buildings	37,049	37,049	28,919	78%	(8,130)
Equipment	10,635	10,635	5,832	55%	(4,803)
Outside Services - Other	6,386	6,386	4,788	75%	(1,598)
Other Expenses	42,066	42,066	20,779	49%	(21,287)
Total Receivership Funding	**$900,000**	**$900,000**	**$673,168**	**75%**	**($226,832)**
Total Corporate Operating Budget	**$2,682,639**	**$2,682,639**	**$2,286,782**	**85%**	**($395,857)**
Investment Budget [1]	**$22,031**	**$22,031**	**$18,959**	**86%**	**($3,072)**
Grand Total	**$2,704,670**	**$2,704,670**	**$2,305,741**	**85%**	**($398,929)**

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 December 31, 2013 (Dollars in Thousands)					
Division/Office	Annual Budget	YTD Budget	YTD Expenditures	% of YTD Budget Used	YTD Variance
Corporate Operating Budget					
Resolutions & Receiverships	$761,469	$761,469	$564,393	74%	($197,076)
Risk Management Supervision	548,331	548,331	519,859	95%	(28,472)
Legal	329,921	329,921	291,856	88%	(38,065)
Administration	267,490	267,490	240,999	90%	(26,491)
Information Technology	258,507	258,507	233,525	90%	(24,982)
Depositor & Consumer Protection	167,398	167,398	158,415	95%	(8,983)
CIO Council	72,236	72,236	61,775	86%	(10,461)
Insurance & Research	45,414	45,414	38,503	85%	(6,911)
Finance	41,581	41,581	36,619	88%	(4,962)
Executive Support [1]	41,016	41,016	35,285	86%	(5,731)
Complex Financial Institutions	35,639	35,639	28,096	79%	(7,543)
Inspector General	33,722	33,722	30,079	89%	(3,643)
Corporate University - Corporate	23,856	23,856	21,968	92%	(1,888)
Corporate University - CEP	19,173	19,173	14,974	78%	(4,199)
Executive Offices [2]	11,480	11,480	10,436	91%	(1,044)
Government Litigation	1,000	1,000	0	0%	(1,000)
Corporate Unassigned	24,406	24,406	0	0%	(24,406)
Total, Corporate Operating Budget	**$2,682,639**	**$2,682,639**	**$2,286,782**	**85%**	**($395,857)**
Investment Budget [3]					
Information Technology	$12,288	$12,288	$10,392	85%	($1,896)
Administration	8,723	8,723	7,965	91%	(758)
Corporate University - Corporate	605	605	366	60%	(239)
Risk Management Supervision	348	348	175	50%	(173)
Depositor & Consumer Protection	35	35	30	86%	(5)
Resolutions & Receiverships	32	32	31	97%	(1)
Total, Investment Budget [3]	**$22,031**	**$22,031**	**$18,959**	**86%**	**($3,072)**
Combined Division/Office Budgets					
Resolutions & Receiverships	$761,501	$761,501	$564,424	74%	($197,077)
Risk Management Supervision	548,679	548,679	520,034	95%	(28,645)
Legal	329,921	329,921	291,856	88%	(38,065)
Administration	276,213	276,213	248,964	90%	(27,249)
Information Technology	270,795	270,795	243,917	90%	(26,878)
Depositor & Consumer Protection	167,433	167,433	158,445	95%	(8,988)
CIO Council	72,236	72,236	61,775	86%	(10,461)
Insurance & Research	45,414	45,414	38,503	85%	(6,911)
Finance	41,581	41,581	36,619	88%	(4,962)
Executive Support [1]	41,016	41,016	35,285	86%	(5,731)
Complex Financial Institutions	35,639	35,639	28,096	79%	(7,543)
Inspector General	33,722	33,722	30,079	89%	(3,643)
Corporate University - Corporate	24,461	24,461	22,334	91%	(2,127)
Corporate University - CEP	19,173	19,173	14,974	78%	(4,199)
Executive Offices [2]	11,480	11,480	10,436	91%	(1,044)
Government Litigation	1,000	1,000	0	0%	(1,000)
Corporate Unassigned	24,406	24,406	0	0%	(24,406)
Grand Total	**$2,704,670**	**$2,704,670**	**$2,305,741**	**85%**	**($398,929)**

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.