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

March 1, 2017

MEMORANDUM TO: The Board of Directors

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

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Director, Division of Finance

SUBJECT: Fourth Quarter 2016 CFO Report to the Board

The attached report highlights the FDIC's financial activities and results for the quarter ended December 31, 2016.

**Executive Summary**

- During the fourth quarter of 2016, the Deposit Insurance Fund (DIF) balance increased by $2.5 billion, from $80.7 billion to $83.2 billion. The quarterly increase was primarily due to $2.7 billion of assessment revenue and a $332 million decrease in the provision for insurance losses, partially offset by $437 million of operating expenses and an unrealized loss on U.S. Treasury securities of $325 million.

- The reserve ratio, which is the ratio of the DIF balance to estimated insured deposits, was 1.20 percent for the fourth quarter 2016, compared to the third quarter 2016 reserve ratio of 1.18 percent.

- There were no financial institution failures during the fourth quarter of 2016.

- Overall FDIC Operating Budget expenditures through December 31, 2016, were below budget by 12 percent ($261 million). Spending in the Ongoing Operations component was $121 million, or 7 percent, under budget, largely due to underspending for salaries and compensation and contractual services. Spending in the Receivership Funding component was $140 million, or 35 percent, under budget, primarily due to lower-than-budgeted spending for contractual services related to financial institution failures.

## I. **Financial Results** (See pages 8 - 9 for detailed data and charts.)

### Deposit Insurance Fund

- The DIF balance was $83.2 billion at year-end 2016, an increase of $10.6 billion from $72.6 billion at year-end 2015. The DIF's comprehensive income totaled $10.6 billion for 2016 compared to comprehensive income of $9.8 billion during 2015. This $742 million year-over-year increase was primarily due to a $1.1 billion increase in assessment revenue and a $249 million increase in interest revenue, partially offset by $683 million lower negative provision for insurance losses.

- The provision for insurance losses was negative $1.6 billion for 2016, compared to negative $2.3 billion for 2015. The negative provision for 2016 primarily resulted from a decrease of $1.7 billion in the estimated losses for institutions that failed in current and prior years, partially offset by a $97 million increase in the contingent liability for anticipated failures. The $1.7 billion decrease in the estimated losses from failures was primarily attributable to (1) unanticipated recoveries of $545 million in litigation settlements, professional liability claims, and tax refunds by the receiverships; (2) a $584 million decrease in the receiverships' shared-loss liability; (3) a $406 million decrease in projected future receivership expenses and receivership legal and representation and warranty liabilities; and (4) a $231 million decrease resulting from greater-than-anticipated collections from receiverships' asset sales and updated estimated recovery rates applied to the remaining assets in liquidation.

### Assessments

- During December, the DIF recognized a total of $2.7 billion in assessment revenue. Of this amount, $1.5 billion represented the estimate for fourth quarter 2016 insurance coverage. Also, the DIF recognized $1.2 billion in estimated large bank surcharges for the fourth quarter 2016. Additionally, the DIF recognized an adjustment of $20 million that increased assessment revenue. This adjustment consisted of a $45 million increase from prior period amendments and a $25 million decrease to the estimate for third quarter 2016 insurance coverage recorded at September 30, 2016. The latter adjustment was primarily due to lower than estimated assessment rates for several large banks.

- On December 30, 2016, the FDIC collected $1.5 billion in DIF regular assessments and $1.2 billion in surcharge assessments for third quarter 2016 insurance coverage.

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

### DIF Investment Portfolio

- On December 31, 2016, the total liquidity (also total market value) of the DIF investment portfolio stood at $75.3 billion, up $11.6 billion from its December 31, 2015, balance of $63.7 billion. During the year, interest revenue, receivership dividends, and deposit insurance assessment collections exceeded resolution-related outlays and operating expenses.

- On December 31, 2016, the DIF investment portfolio's yield was 1.12 percent, up 18 basis points from its December 31, 2015, yield of 0.94 percent. The new Treasury securities purchased during the year generally had higher yields than the maturing securities' yields, some considerably higher.

- In accordance with the approved fourth quarter 2016 DIF portfolio investment strategy, staff purchased a total of 21 short- to intermediate-maturity conventional Treasury securities, all designated as available-for-sale. The 21 securities purchased during the fourth quarter had a total par value of $13.7 billion, a weighted average yield of 1.53 percent, and a weighted average maturity of 3.76 years.

## III. <u>Budget Results</u> (See pages 12 - 13 for detailed data.)

### Approved Budget Modifications

The 2016 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to make certain modifications to the 2016 FDIC Operating Budget. The following budget reallocations were made during the fourth quarter in accordance with the authority delegated by the Board of Directors. None of these modifications changed the total 2016 FDIC Operating Budget as approved by the Board in December 2015.

- In November 2016, the CFO approved multiple budget modifications within the Ongoing Operations budget components of the Division of Information Technology (DIT) and the Information Security and Privacy Staff (ISPS), as follows:

    - At DIT's request, the hardware/software "technical refresh" allowance in its budget was reduced by $5,205,926 and that amount reallocated to the Corporate Unassigned contingency reserve. DIT elected not to use a substantial portion of the allowance provided to it for update and replacement of its installed base of hardware and software until it completed an evaluation of the impact of its IT transformation strategy on DIT's future hardware/software needs.

    - The DIT budget was increased by $3,272,932, with a corresponding reduction in the Corporate Unassigned contingency reserve, to address a projected operational shortfall in the infrastructure services area. Additional budget authority was also reprogrammed internally within the DIT budget to address this shortfall.

    - The DIT budget was increased by $3,112,641, with a corresponding reduction in the Corporate Unassigned contingency reserve, to support several major initiatives. These included funding for continuity of operations planning ($1.2 million), planning for the transition of e-mail services to a shared services environment ($676,000), and various security-related initiatives.

  The net effect of these changes was to increase the DIT Ongoing Operations budget by a net of $1,179,647, with the following changes by major expense category: Outside Services – Personnel ($1,729,651), Equipment (-$290,124), Outside Services – Other (-$690,000), Travel ($255,120), and Other Expenses ($175,000).

  In addition, ISPS's Ongoing Operations budget was increased by $250,000 to address a shortfall in ISPS's "technical refresh" allowance, with additional funds for that purpose provided through internal reallocations within the ISPS budget. These changes increased ISPS's Equipment budget by $2.3 million, while reducing its Outside Services – Personnel budget by $2,050,000.

- In December 2016, the CFO approved a reallocation of $16,000 from the Outside Services – Personnel expense category to the Travel expense category within the Ongoing Operations budget of the Executive Offices.

- In December 2016, DIT realigned its Ongoing Operations budget to increase its budget resources for Buildings by $1,585,045, and Outside Services – Other by $12,335, with an offsetting reduction to its Outside Services – Personnel expense category. This reallocation was made primarily to better align its budget with costs for the Manassas Data Center. DIT also realigned $386,500 of its Receivership Funding budget from the Outside Services – Personnel expense category to various other expense categories to better align its budget resources with projected expenses.

The amounts remaining within the Corporate Unassigned contingency reserves for the Ongoing Operations and Receivership Funding budget components were $13,285,893 and $27,536,513, respectively, following these reallocations. This unused budget authority lapsed at the end of the year.

**Spending Variances**

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the year ending December 31, 2016, are defined as those that either (a) exceed by any amount the annual budget for a major expense category or the total budget for a division or office, or (b) are under the annual budget for a major expense category or the budget for a 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 was a significant spending variance in all major expense categories in the Ongoing Operations component of the 2016 FDIC Operating Budget:

- Salaries and Compensation expenditures were approximately $70 million, or 6 percent, less than budgeted. The Division of Risk Management Supervision (RMS) ($29 million), the Legal Division ($8 million), and the Division of Depositor and Consumer Protection (DCP) ($7 million) all spent less than budgeted in this expense category, primarily due to higher-than-projected vacancies in budgeted positions during the year. Most of the variances were related to authorized non-permanent positions.

- Outside Services-Personnel expenditures were $25 million, or 11 percent, less than budgeted.

    - The Division of Administration (DOA) spent $8 million less than budgeted, largely due to lower-than-budgeted spending for several security-related initiatives, including finger printing services, background investigations, and the Access Control Program; and delays and reduced contractor support requirements for several HR initiatives, including the PMR and Salary Structure review, development of a Corporate Workforce Planning Model, administration of student programs, and the revision of position descriptions for positions subject to the Federal Labor Standards Act.

    - The CIO Council spent almost $4 million less than budgeted due to lower spending on application maintenance and operations, small enhancements and development, and remediation of technical obsolescence. No funds were spent from the Technical Obsolescence Remediation Fund established by the Council for 2016.

    - The Division of Depositor and Consumer Protection spent $2 million less than budgeted due primarily to delays in planned Money Smart projects, the Small Dollar Savings project, and the biennial FDIC Survey of Unbanked and Underbanked Households as well as lower-than-expected spending for maintenance of the Economicinclusion.gov website.

  - The Corporate Unassigned contingency reserve had approximately $8 million in unused budget authority remaining at the end of the year in this expense category. That unused budget authority lapsed on December 31, 2016.

- Travel expenditures were approximately $9 million, or 9 percent, lower than budgeted. RMS spent $7 million less than budgeted for travel due largely to the reduced number of exams conducted and lower examination-related travel costs as a result of the improved condition of FDIC-supervised banks and the change in exam frequency for favorably-rated banks having assets less than $1 billion. Spending was also lower than anticipated for relocation-related travel costs.

- Buildings expenditures were approximately $6 million, or 6 percent, less than budgeted. This was largely attributable to delays in the start and/or completion of the Virginia Square Loading Dock Repair project and the San Francisco Regional Office plumbing upgrade. Spending for general building operating costs, utilities, cleaning, and several repair/maintenance project expenses were also less than budgeted.

- Equipment expenditures were approximately $6 million, or 6 percent, less than budgeted. DOA spent $3 million less than budgeted, largely due to the delay in the purchase and installation of the Electronic Security System hardware in the remaining field offices and the slower-than-expected installation of one of the two SCIF communication systems that was planned to be completed in 2016. DIT spent $3 million less than budgeted because of a decision to defer hardware technical refresh purchases until it can assess the impact of the use of shared services.

- Outside Services – Other expenditures were $1 million, or 8 percent, less than budgeted. This was primarily attributable to underspending by DOA which spent nearly $1 million less than budgeted, largely due to lower insurance premiums, a decline in nationwide mail volume, and lower demand for various support services, including printing, advertising and catering.

- Other Expenses were approximately $3 million, or 20 percent, less than budgeted. This was primarily attributable to 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 2016 FDIC 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 expenses for permanent employees assigned to the receivership management function. There were significant spending variances in five of the seven major expense categories in the Receivership Funding component of the 2016 FDIC Operating Budget:

- Salaries and Compensation expenditures were $15 million, or 24 percent, less than budgeted. This variance was mostly attributable to vacancies in budgeted non-permanent positions in the Division of Resolutions and Receiverships (DRR) and the Legal Division.

- Outside Services-Personnel expenditures were $109 million, or 37 percent, less than budgeted. DRR spent $68 million less than budgeted, primarily because there were only five small bank failures during the year. This resulted in lower-than-budgeted expenses for contracts supporting owned real estate, loan servicing, bank closings, securitizations, oversight of loss share agreements, and asset valuation. The Legal Division spent $11 million less than budgeted, primarily due to lower-than-anticipated costs for outside legal counsel for receivership and resolution activities. The Corporate Unassigned contingency reserve had $27 million in unused budget authority remaining at the end of the year in this expense category. That unused budget authority lapsed on December 31, 2016.

- Travel expenditures were approximately $5 million, or 61 percent, less than budgeted. This was primarily attributable to the low number and small size of bank failures during the year.

- Buildings expenditures were approximately $1 million, or 8 percent, more than budgeted. This was primarily attributable to environmental remediation costs incurred under a 2014 settlement agreement on an asset sold in 1993 by the Resolution Trust Corporation.

- Other Expenses were approximately $11 million, or 71 percent, less than budgeted. This variance was attributable to the transfer of banking operations and the disposition of failed banks' assets more quickly than expected, because there were fewer-than-usual receivership claims or settlement costs associated with actual failed bank resolutions.

**Significant Spending Variances by Division/Office**

Fourteen organizations had significant spending variances from their 2016 budgets:

- DRR spent $93 million, or 26 percent, less than budgeted. Approximately $90 million of this variance was in the Receivership Funding budget component and was largely due to less-than-budgeted spending for resolution and receivership management workload for the reasons described above.

- RMS spent $37 million, or 6 percent, less than budgeted. This variance was largely attributable to vacancies in budgeted positions and the reduction in exam-related travel.

- The Legal Division spent $27 million, or 11 percent, less than budgeted. This variance was largely due to underspending of more than $14 million in the Salaries and Compensation expense category ($8 million in the Ongoing Operations and $7 million in the Receivership Funding budget components) due to vacancies in budgeted non-permanent positions and slower-than-projected hiring to fill those vacancies. In addition, it spent $11 million less than budgeted in the Receivership Funding budget component for outside counsel costs relating to resolution and receivership management activities.

- DOA spent $25 million, or 9 percent, less than budgeted. This variance was largely due to lower spending on contractor supported projects and functions explained earlier in the Outside Services – Personnel and Buildings expense categories of the Ongoing Operations budget component.

- DCP spent $9 million, or 5 percent, less than budgeted. This variance was largely attributable to vacancies in budgeted positions throughout the year.

- The CIO Council spent $4 million, or 8 percent, less than budgeted. This variance was largely attributable to lower spending on application maintenance and operations, system development and small enhancement projects, and remediation of technical obsolescence.

- The Office of Complex Financial Institutions spent $3 million, or 16 percent, less than budgeted. This variance was largely due to vacancies in budgeted positions throughout the year.

- The combined Executive Support Offices spent $3 million, or 12 percent, less than budgeted. This variance was largely due to vacancies in budgeted positions in the Offices of Legislative Affairs, Corporate Risk Management (OCRM), and Minority and Women Inclusion. Contract spending was also below budget in the Office of Communications and OCRM for public relations advisory services and the independent validation of FDIC models, respectively.

- The Division of Finance spent $2 million, or 5 percent, less than budgeted. This variance was largely attributable to vacancies in budgeted positions during the year.

- The Executive Offices spent $2 million, or 17 percent, less than budgeted. This variance was largely due to lower-than-budgeted spending on the annual financial statement audit by GAO and vacancies in budgeted positions during the year.

- The Office of the Inspector General spent $2 million, or 5 percent, less than budgeted. This variance was largely attributable to vacancies in budgeted positions throughout the year.

- ISPS spent $2 million, or 5 percent, less than budgeted. This variance was largely due to utilization of software solutions that reduced the need for contractor services, delays in getting contractors on board, and vacancies in budgeted positions during the year.

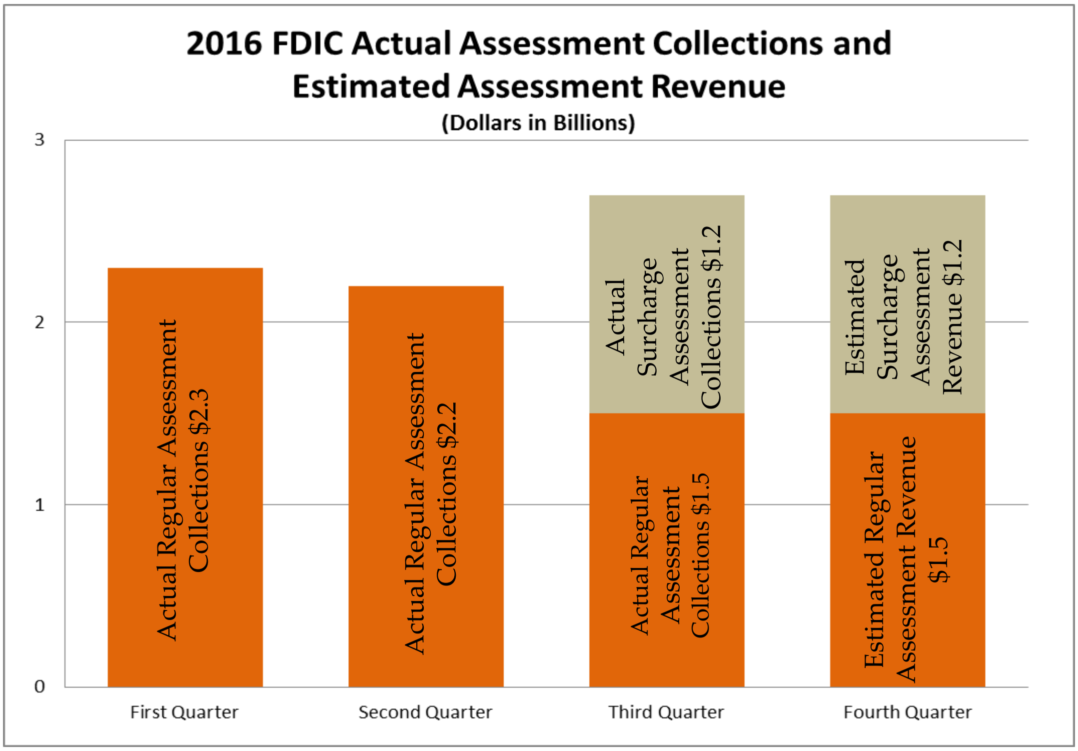
- Corporate University spent $2 million, or 9 percent, less than budgeted in its budget for the Corporate Employee Program (CU-CEP), and $152,000, or 1 percent, more than budgeted in its regular organizational budget (CU-Corporate). The CU-CEP variance was largely due to vacancies in budgeted positions during the year and lower-than-budgeted travel for participants in the program. The CU-Corporate variance was primarily due to higher-than-budgeted relocation expenses for qualifying employees. These costs can vary substantially from employee to employee and are not subject to management control. CU-Corporate’s 2016 budget for relocation travel was based on recent past history.

- The Corporate Unassigned contingency reserve had approximately $41 million in unused budget authority remaining at the end of the year. That unused budget authority lapsed on December 31, 2016.

## Fund Financial Results

($ in Millions)

| Balance Sheet | Deposit Insurance Fund | | | | |
|---|---|---|---|---|---|
| | Dec-16 | Sep-16 | Quarterly Change | Dec-15 | Year-Over-Year Change |
| Cash and cash equivalents | $ 1,333 | $ 4,273 | $ (2,940) | $ 877 | $ 456 |
| Investment in U.S. Treasury securities | 73,512 | 68,124 | 5,388 | 62,497 | 11,015 |
| Assessments receivable, net | 2,666 | 2,686 | (20) | 2,172 | 494 |
| Interest receivable on investments and other assets, net | 526 | 565 | (39) | 418 | 108 |
| Receivables from resolutions, net | 7,790 | 9,044 | (1,254) | 11,578 | (3,788) |
| Property and equipment, net | 358 | 360 | (2) | 378 | (20) |
| **Total Assets** | $ 86,185 | $ 85,052 | $ 1,133 | $ 77,920 | $ 8,265 |
| Accounts payable and other liabilities | 238 | 218 | 20 | 273 | (35) |
| Liabilities due to resolutions | 2,073 | 3,538 | (1,465) | 4,419 | (2,346) |
| Postretirement benefit liability | 232 | 233 | (1) | 233 | (1) |
| Contingent liability for anticipated failures | 477 | 359 | 118 | 395 | 82 |
| Contingent liability for litigation losses | 3 | 0 | 3 | 0 | 3 |
| **Total Liabilities** | $ 3,023 | $ 4,348 | $ (1,325) | $ 5,320 | $ (2,297) |
| FYI: Unrealized gain (loss) on U.S. Treasury securities, net | 21 | 346 | (325) | (9) | 30 |
| FYI: Unrealized postretirement benefit (loss) gain | (26) | (34) | 8 | (34) | 8 |
| **Fund Balance** | $ 83,162 | $ 80,704 | $ 2,458 | $ 72,600 | $ 10,562 |




The third quarter decline in actual assessment collections is due to a decline in the effective assessment rate, from 6.2 bps to 4.1 bps due to the lower assessment rate schedule now that the Deposit Insurance Fund has reached 1.15 percent.

## Fund Financial Results - continued

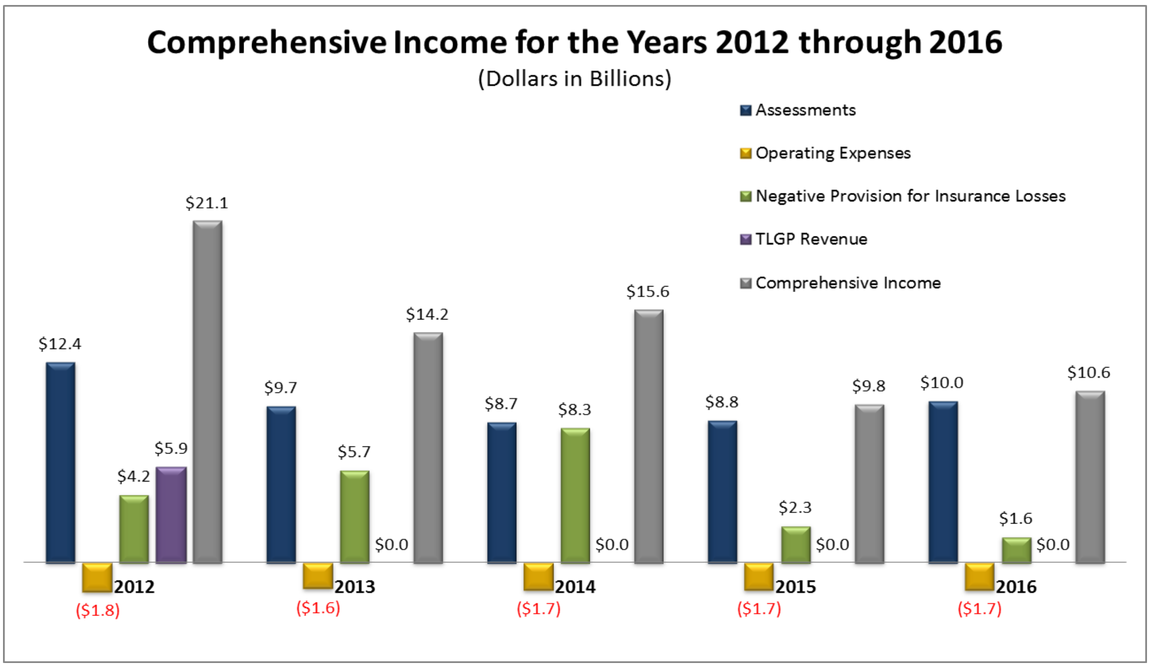
($ in Millions)

| Income Statement (year-to-date) | Deposit Insurance Fund | | | | |
|---|---|---|---|---|---|
| | Dec-16 | Sep-16 | Quarterly Change | Dec-15 | Year-Over-Year Change |
| Assessments | $ 9,987 | $ 7,299 | $ 2,688 | $ 8,847 | $ 1,140 |
| Interest on U.S. Treasury securities | 671 | 482 | 189 | 422 | 249 |
| Other revenue | 16 | 13 | 3 | 34 | (18) |
| **Total Revenue** | $ 10,674 | $ 7,794 | $ 2,880 | $ 9,303 | $ 1,371 |
| Operating expenses | 1,715 | 1,278 | 437 | 1,687 | 28 |
| Provision for insurance losses | (1,568) | (1,236) | (332) | (2,251) | 683 |
| Insurance and other expenses | 3 | 3 | - | 11 | (8) |
| **Total Expenses and Losses** | $ 150 | $ 45 | $ 105 | $ (553) | $ 703 |
| **Net Income** | 10,524 | 7,749 | 2,775 | 9,856 | 668 |
| Unrealized gain (loss) on U.S. Treasury securities, net | 30 | 355 | (325) | (60) | 90 |
| Unrealized postretirement benefit gain (loss) | 8 | - | 8 | 24 | (16) |
| **Comprehensive Income** | $ 10,562 | $ 8,104 | $ 2,458 | $ 9,820 | $ 742 |

| Selected Financial Data | FSLIC Resolution Fund | | | | |
|---|---|---|---|---|---|
| | Dec-16 | Sep-16 | Quarterly Change | Dec-15 | Year-Over-Year Change |
| Cash and cash equivalents | $ 874 | $ 873 | $ 1 | $ 871 | $ 3 |
| Accumulated deficit | (124,611) | (124,616) | 5 | (124,618) | 7 |
| Total resolution equity | 878 | 873 | 5 | 871 | 7 |
| Total revenue | 5 | 4 | 1 | 3 | 2 |
| Operating expenses | 3 | 3 | - | 3 | - |
| Losses related to thrift resolutions | (1) | (1) | - | - | (1) |
| Goodwill litigation expenses | - | - | - | 157 | (157) |
| Net Income (Loss) | $ 7 | $ 2 | 5 | $ (157) | $ 164 |

### Receivership Selected Statistics December 2016 vs. December 2015

| $ in millions | DIF | | | FRF | | | ALL FUNDS | | |
|---|---|---|---|---|---|---|---|---|---|
| | Dec-16 | Dec-15 | *Change* | Dec-16 | Dec-15 | *Change* | Dec-16 | Dec-15 | *Change* |
| Total Receiverships | 378 | 446 | (68) | 0 | 0 | 0 | 378 | 446 | (68) |
| Assets in Liquidation | $ 3,315 | $ 4,802 | $ (1,487) | $ 2 | $ 5 | $ (3) | $ 3,317 | $ 4,807 | $ (1,490) |
| YTD Collections | $ 1,757 | $ 3,421 | $ (1,664) | $ 2 | $ 3 | $ (1) | $ 1,759 | $ 3,424 | $ (1,665) |
| YTD Dividend/Other Pymts - Cash | $ 3,601 | $ 6,324 | $ (2,723) | 0 | 0 | 0 | $ 3,601 | $ 6,324 | $ (2,723) |



| Deposit Insurance Fund Portfolio Summary (Dollar Values in Millions) | | | |
|---|---|---|---|
| | 12/31/16 | 12/31/15 | Change |
| Par Value | $74,430 | $62,973 | $11,457 |
| Amortized Cost | $74,947 | $63,368 | $11,579 |
| Total Market Value (including accrued interest) | $75,335 | $63,737 | $11,598 |
| Primary Reserve [1] | $75,335 | $63,737 | $11,598 |
| Primary Reserve % of Total Portfolio | 100.0% | 100.0% | 0.0% |
| Yield-to-Maturity [2] | 1.12% | 0.94% | 0.18% |
| Weighted Average Maturity (in years) | 1.60 | 1.65 | -0.05 |
| Effective Duration (in years) | | | |
| Total Portfolio | 1.55 | 1.62 | -0.07 |
| Available-for-Sale Securities | 1.66 | 1.64 | 0.02 |
| 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 (AFS) securities, and held-to-maturity (HTM) 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) | | | |
|---|---|---|---|
| | 12/31/16 | 12/31/15 | Change |
| *FRF-FSLIC* | | | |
| Book Value [4] | $831 | $828 | $3 |
| Yield-to-Maturity | 0.40% | 0.08% | 0.32% |
| 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.

| National Liquidation Fund (NLF) Investment Portfolio Summary (Dollar Values in Millions) | | | |
|---|---|---|---|
| | 12/31/16 | 12/31/15 | Change |
| Book Value [5] | $8,746 | $10,508 | ($1,762) |
| Effective Annual Yield | 0.58% | 0.30% | 0.28% |
| Weighted Average Maturity (in days) | 78 | 90 | (12) |

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

| Investment Strategies | |
|---|---|
| **DEPOSIT INSURANCE FUND** | **Strategy for the 4th Quarter 2016**<br>Purchase up to $19 billion (par value) of Treasury securities with maturity dates between March 31, 2017, and December 31, 2021, subject to the following additional provisions: all newly purchased securities will be designated as available-for-sale; no more than $2 billion (adjusted par value) of such securities shall consist of Treasury Inflation-Protected Securities; and target at least $3 billion (par value) of newly purchased securities maturing in 2020 or 2021. |
| | **Strategy Changes for the 1st Quarter 2017** |
| | Purchase up to $14 billion (par value) of Treasury securities with maturity dates between June 30, 2017, and June 30, 2022, subject to the following additional provisions: all newly purchased securities will be designated as available-for-sale; no more than $2 billion (adjusted par value) of such securities shall consist of Treasury Inflation-Protected Securities; and target at least $5 billion (par value) of newly purchased securities maturing between January 1, 2020, and June 30, 2022. |
| **NATIONAL LIQUIDATION FUND** | **Strategy for the 4th Quarter 2016**<br>Maintain an overnight deposit target floor balance within a range of $100 million to $300 million.<br>Strategically invest the remaining funds in the zero- to 12-month maturity sector. |
| | **Strategy Changes for the 1st Quarter 2017** |
| | No strategy changes for the first quarter of 2017. |

## Executive Summary of 2016 Budget and Expenditures
## by Major Expense Category
## Through December 31, 2016
## (Dollars in Thousands)

| Major Expense Category | Annual Budget | YTD Budget | YTD Expenditures | % of YTD Budget Used | YTD Variance |
|---|---|---|---|---|---|
| **FDIC Operating Budget** | | | | | |
| ***Ongoing Operations*** | | | | | |
| Salaries & Compensation | $1,254,695 | $1,254,695 | $1,184,570 | 94% | ($70,125) |
| Outside Services - Personnel | 240,380 | 240,380 | 214,927 | 89% | (25,453) |
| Travel | 99,168 | 99,168 | 89,778 | 91% | (9,390) |
| Buildings | 98,384 | 98,384 | 92,081 | 94% | (6,303) |
| Equipment | 87,992 | 87,992 | 82,312 | 94% | (5,680) |
| Outside Services - Other | 15,038 | 15,038 | 13,889 | 92% | (1,149) |
| Other Expenses | 15,044 | 15,044 | 12,108 | 80% | (2,936) |
| **Total Ongoing Operations** | **$1,810,701** | **$1,810,701** | **$1,689,665** | **93%** | **($121,036)** |
| ***Receivership Funding*** | | | | | |
| Salaries & Compensation | $61,080 | $61,080 | $46,333 | 76% | ($14,747) |
| Outside Services - Personnel | 296,569 | 296,569 | 187,206 | 63% | (109,363) |
| Travel | 8,207 | 8,207 | 3,236 | 39% | (4,971) |
| Buildings | 14,658 | 14,658 | 15,781 | 108% | 1,123 |
| Equipment | 1,782 | 1,782 | 1,542 | 87% | (240) |
| Outside Services - Other | 1,900 | 1,900 | 1,221 | 64% | (679) |
| Other Expenses | 15,804 | 15,804 | 4,617 | 29% | (11,187) |
| **Total Receivership Funding** | **$400,000** | **$400,000** | **$259,936** | **65%** | **($140,064)** |
| | | | | | |
| **Total FDIC Operating Budget** | **$2,210,701** | **$2,210,701** | **$1,949,601** | **88%** | **($261,100)** |

| Executive Summary of 2016 Budget and Expenditures<br>by Budget Component and Division/Office<br>Through December 31, 2016<br>(Dollars in Thousands) | | | | | |
|---|---|---|---|---|---|
| Division/Office | Annual Budget | YTD Budget | YTD Expenditures | % of YTD Budget Used | YTD Variance |
| ***FDIC Operating Budget*** | | | | | |
| Risk Management Supervision | $591,295 | $591,295 | $553,851 | 94% | ($37,444) |
| Depositor & Consumer Protection | 178,813 | 178,813 | 169,670 | 95% | (9,143) |
| Information Technology | 223,904 | 223,904 | 216,208 | 97% | (7,696) |
| Administration | 274,243 | 274,243 | 249,580 | 91% | (24,663) |
| Resolutions & Receiverships | 357,366 | 357,366 | 264,089 | 74% | (93,277) |
| Legal | 237,054 | 237,054 | 210,111 | 89% | (26,943) |
| Insurance & Research | 49,781 | 49,781 | 48,121 | 97% | (1,660) |
| Finance | 39,827 | 39,827 | 37,680 | 95% | (2,147) |
| Inspector General | 34,153 | 34,153 | 32,382 | 95% | (1,771) |
| Information Security & Privacy Staff | 35,888 | 35,888 | 34,149 | 95% | (1,739) |
| Corporate University - CEP | 18,254 | 18,254 | 16,581 | 91% | (1,673) |
| Corporate University - Corporate | 24,478 | 24,478 | 24,630 | 101% | 152 |
| Executive Support [1] | 26,174 | 26,174 | 22,964 | 88% | (3,210) |
| Executive Offices [2] | 11,381 | 11,381 | 9,432 | 83% | (1,949) |
| Complex Financial Institutions | 20,976 | 20,976 | 17,610 | 84% | (3,366) |
| CIO Council | 46,291 | 46,291 | 42,543 | 92% | (3,748) |
| Corporate Unassigned | 40,823 | 40,823 | 0 | 0% | (40,823) |
| **Total FDIC Operating Budget** | **$2,210,701** | **$2,210,701** | **$1,949,601** | **88%** | **($261,100)** |

1) Executive Support includes the Offices of Minority and Women Inclusion, Communications, Ombudsman, Legislative Affairs, Corporate Risk Management, and Financial Institution Adjudication.

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 Chief Information Officer.