FDIC

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

November 9, 2012

MEMORANDUM TO: The Board of Directors

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

Craig R. Jarvill
Director, Division of Finance

SUBJECT: Third Quarter 2012 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the quarter ended September 30, 2012.

Executive Summary

- During the third quarter of 2012, the Deposit Insurance Fund (DIF) balance increased by $2.5 billion, from $22.7 billion to $25.2 billion. This quarterly increase was primarily due to $2.8 billion in assessment revenue and a decrease in the provision for insurance losses of $84 million, partially offset by $442 million in operating expenses. Over the eleven consecutive quarters since the beginning of 2010, the fund balance has increased a total of $46.1 billion.

- During the third quarter of 2012, the FDIC was named receiver for 12 failed institutions. The combined assets at inception for these institutions totaled approximately $2.0 billion with a total estimated loss of $483 million. The corporate cash outlay during the third quarter for these failures was approximately $606 million.

- Through September 30, 2012, overall Corporate Operating Budget expenditures were below budget by 21 percent ($496 million), largely due to substantial under-spending in the Receivership Funding budget component. That component was $391 million or 38 percent, under budget, while the Ongoing Operations component was $105 million, or 8 percent under budget. The variance in the Receivership Funding component was primarily due to less costly resolutions and lower-than-anticipated asset management, marketing, and contract support costs for failed bank resolutions.

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

Deposit Insurance Fund

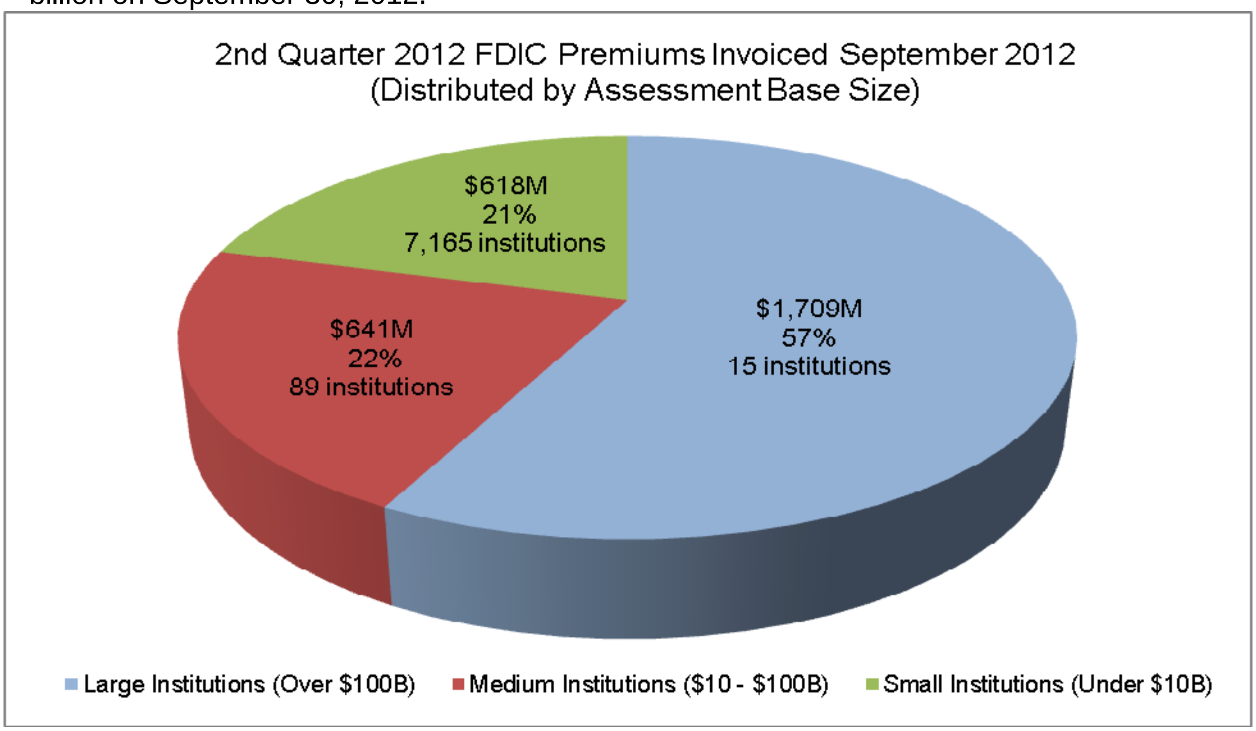
- For the nine months ended September 30, 2012, the DIF's comprehensive income totaled $13.4 billion compared to comprehensive income of $15.2 billion for the same period last year. This $1.8 billion year-over-year decrease was mostly due to a $5.1 billion year-to-year swing in loss provisions (a negative $879 million in 2012 vs. a negative $5.9 billion in 2011), offset by a $4.0 billion increase in recognition of Debt Guarantee Program (DGP) deferred revenue and an $829 million decrease in assessment revenue.

- The provision for insurance losses was negative $879 million for nine months of 2012. The negative provision primarily resulted from a $1.2 billion reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail offset by a $299 million increase in the estimated losses for banks that had previously failed.

Assessments

- During the third quarter of 2012, the DIF recognized a total of $2.8 billion in assessment revenue. The estimate for third quarter 2012 insurance coverage totaled $3.0 billion—$2.4 billion was recognized for those institutions that prepaid assessments and $660 million 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 $182 million that reduced assessment revenue. This adjustment consisted of $20 million in prior period amendments and a $202 million decrease to the estimate for second quarter 2012 insurance coverage recorded at June 30, 2012. The latter adjustment was due to lower than estimated growth in the assessment base and lower average assessment rates.

- On September 28, 2012, the FDIC collected $374 million in DIF assessments for second quarter 2012 insurance coverage. Unearned revenue (prepaid assessments) totaled $9.2 billion on September 30, 2012.



FSLIC Resolution Fund (FRF)

- On October 19, 2012, the FRF paid $181 million as a result of a settlement in one goodwill case, leaving two active goodwill cases.

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

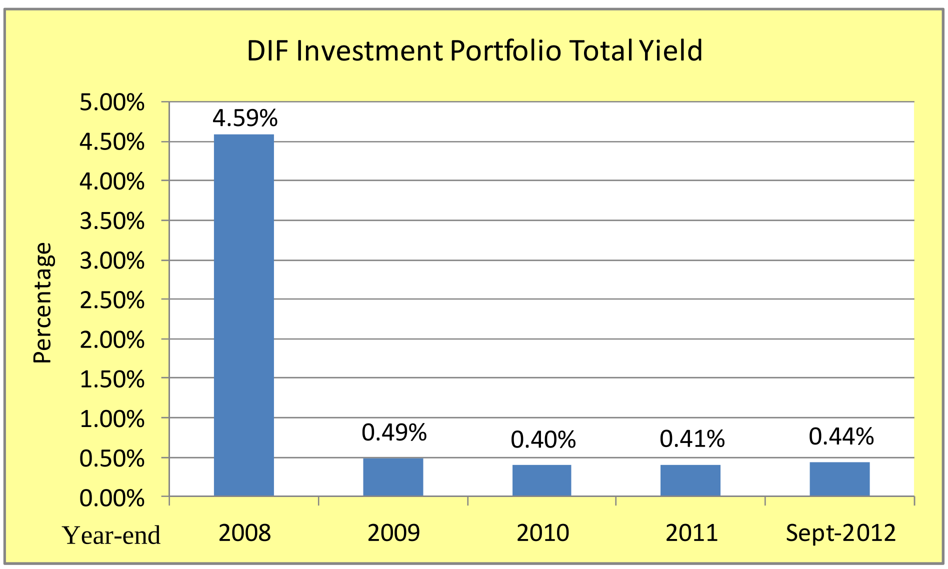
Total DIF Portfolio Liquidity

- The total liquidity available to the DIF is the sum of the DIF investment portfolio ($37.5 billion) and the DGP investment portfolio ($1.1 billion). Consequently, the total liquidity (total market value including accrued interest) of both DIF-related investment portfolios stood at $38.6 billion on September 30, 2012, down $3.8 billion from $42.4 billion on December 31, 2011.

DIF Investment Portfolio

- On September 30, 2012, the DIF investment portfolio stood at $37.5 billion (total market value), substantially similar to its December 31, 2011, balance of $37.6 billion. Outflows for funding initial resolution payments, operating expenses, and other payments related to receivership activities were largely offset by receivership dividends, net transfers from the DGP investment portfolio, assessments, and other inflows.

- On September 30, 2012, the DIF investment portfolio's yield was 0.44 percent, up three basis points from its December 31, 2011, yield of 0.41 percent. During the first three quarters of 2012, newly purchased Treasury securities, including some higher yielding Treasury Inflation-Protected Securities (TIPS) and overnight investments, had higher yields than maturing securities, hence the rise in portfolio yield.



- In accordance with the approved third quarter 2012 DIF portfolio investment strategy, staff purchased a total of eight short-maturity conventional Treasury securities on three occasions. The eight securities had a total par value of $8.6 billion, a weighted average yield of 0.24 percent, and a weighted average maturity (WAM) of 1.00 year.

DGP Investment Portfolio

- On September 30, 2012, the DGP investment portfolio stood at $1.1 billion (total market value), down substantially from its December 31, 2011, balance of $4.8 billion, primarily due to the June 2012 transfer of DGP funds into the DIF investment portfolio reported last quarter. In accordance with the approved third quarter 2012 DGP portfolio investment strategy, staff purchased one Treasury bill with a par value of $400 million, a yield of 0.12 percent, and a maturity date of December 27, 2012 (equating to a maturity of 0.36 years).

III. <u>Budget Results</u> (See pages 13 - 14 for detailed data.)

Approved Budget Modifications

The 2012 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to make certain modifications to the 2012 Corporate Operating Budget. In accordance with the authority delegated by the Board of Directors, the CFO in July 2012 approved the reallocation of existing budget authority within the Ongoing Operations and Receivership Funding components of the 2012 Corporate Operating Budget following the mid-year reassessment of actual and projected spending. The budgets for all major expense categories and most divisions and offices were adjusted in this reallocation.

These reallocations increased the Ongoing Operations budgets of the Division of Information Technology (DIT) and the Division of Resolutions and Receiverships (DRR) by $6 million and $3 million, respectively. The increase in DIT supplied additional funding for software licensing agreements, equipment purchases, and contractor supported IT services. The increase in DRR provided additional funding for the development of operational policies and procedures for the orderly liquidation of a financial company under Title II of the Dodd-Frank Act, benchmarking services to support the receivership billing rate setting process, and higher-than projected regular and relocation travel expenses. Offsetting those increases were budget reductions of $6 million in the Office of the Inspector General (OIG), $2 million in the Division of Insurance and Research (DIR), and $1 million in the Corporate Unassigned contingency reserve for the Ongoing Operations budget component. The Division of Administration (DOA) decreased its Receivership Funding budget by nearly $3 million because of the decline in receivership and resolution activities. Those funds increased the Corporate Unassigned contingency reserve in the Receivership Funding budget component.

Following these reallocations, the amounts remaining available within the Corporate Unassigned budgets for the Ongoing Operations and Receivership Funding budget components are $20,323,210 and $115,612,907, respectively. None of these modifications changed the total 2012 Corporate Operating Budget as approved by the Board in December 2011.

Approved Staffing Modifications

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

- In July 2012, the CFO approved an increase of two authorized non-permanent Program Manager positions in the Division of Risk Management Supervision (RMS) to work on the Virtual Supervisory Information (ViSION) Modernization and Examination Tools Suite (ETS) projects.

- In July and August 2012, following the Senate's confirmation of a second Director (Appointive) on the Board of Directors, the CFO approved the establishment of three permanent positions in the Executive Offices to provide for the new Director and his staff support. In addition, the CFO authorized one permanent position in RMS to provide leadership for the FDIC's Minority Depository Institutions (MDI) program.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the nine months ending September 30, 2012, are defined as those that either (1) exceed the YTD budget by $1 million and represent more than two percent of a major expense category or total division/office budget; or (2) are under the YTD budget for a major expense category or division/office by an amount that exceeds $2 million and represents more than four percent of the major expense category or total division/office budget.

Significant Spending Variances by Major Expense Category

<u>Ongoing Operations</u>

There were significant spending variances in all major expense categories in the Ongoing Operations component of the 2012 Corporate Operating Budget through the third quarter 2012.

- Salaries & Compensation expenditures were $40 million, or 5 percent, less than budgeted. RMS ($15 million), the Legal Division ($4 million), DRR ($3 million), OIG ($3 million), the Division of Consumer Protection (DCP) ($2 million), the Office of Complex Financial Institutions (CFI) ($2 million), and DIR ($2 million) all spent less than budgeted in this expense category, largely due to vacancies in budgeted non-permanent positions.

- Outside Services – Personnel expenditures were $28 million, or 13 percent, less than budgeted. The CIO Council spent $6 million less than budgeted. This variance was largely due to delays in beginning a number of planned projects and a determination that certain projects should be funded through the Corporation's Investment Budget. CFI spent $5 million less than budgeted as it continued to refine its contracting requirements. DOA spent $3 million less than budgeted because it erroneously charged too large a percentage of its background investigation expenses to the Receivership Funding budget component rather than the Ongoing Operations budget component. That error will be corrected in the fourth quarter. DOA also experienced delays in starting work on a contracted human resources project. Furthermore, the Department of Justice (DOJ) did not request reimbursement in September, as budgeted by the Legal Division, for its projected FY 2013 defensive goodwill litigation expenses.

- Travel expenditures were approximately $10 million, or 12 percent, less than budgeted. RMS spent $5 million less than budgeted, primarily due to the large number of vacant, non-permanent examination positions for which travel funds were budgeted but not used. Corporate University (CU-CEP) spent $2 million less than budgeted because one scheduled CEP class was canceled, and the travel funds budgeted for that class were also not used.

- Building expenditures were approximately $7 million, or 10 percent, less than budgeted, largely due to scheduling delays in the upgrade of the electric system for the National Data Center at Virginia Square; delays in awarding the San Francisco Regional Office (SFRO) boiler replacement contract; lower-than-anticipated expenses for Headquarters (HQ) cabling and interior construction costs; reduced utilities consumption; a reduction in monthly lease payments resulting from operating expense reconciliations and real estate tax-credits; fewer office moves than budgeted; lower-than-projected building operating expenses; and a delay in the Headquarters HVAC replacement project due to changes in the design schedule.

- Equipment expenditures were approximately $14 million, or 22 percent, less than budgeted. DIT spent $9 million less than budgeted primarily because of delays in planned purchases of hardware and software, including hardware/software for the technical refresh and IMAC projects. Those purchases are now expected to occur in the fourth quarter 2012 and will reduce this budget surplus. In addition, DOA spent $4 million less than budgeted due to intentional deferment of furniture purchases until later in the year.

- Outside Services – Other expenditures were approximately $3 million, or 23 percent, less than budgeted. DOA spent $2 million less than budgeted because of lower than expected mail-related services; significant savings from a reduction in catering expenses resulting from the change in the FDIC's meetings and conferences policies; and reduced printing of deposit insurance materials pending clarification on the need for possible changes in the content of those materials.

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

<u>Receivership Funding</u>

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 six of the seven major expense categories through the third quarter in the Receivership Funding component of the 2012 Corporate Operating Budget:

- Salaries and Compensation ($41 million, or 21 percent, less than budgeted).
- Outside Services-Personnel ($278 million, or 40 percent, less than budgeted).
- Travel ($11 million, or 40 percent, less than budgeted).
- Buildings ($39 million, or 55 percent, less than budgeted).
- Outside Services-Other ($3 million, or 37 percent, less than budgeted).

- Other Expenses ($21 million, or 45 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, marketing, 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 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 sooner-than-anticipated transfer of banking operations into the Dallas office and the earlier-than-expected disposition of failed banks' assets. This reduced the FDIC's costs of administering banking operations at failed bank sites (including office contractor expenses).

Significant Spending Variances by Division/Office[1]

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

- DRR spent $363 million, or 39 percent, less than budgeted. Approximately $357 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 14 percent, less than budgeted. This variance was due to under spending of approximately $19 million for outside legal services in the Outside Services – Personnel expense category in the Receivership Funding budget component and $12 million in the Salaries and Compensation expense category ($4 million in the Ongoing Operations budget component and $8 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.

- DOA spent $24 million, or 12 percent, less than budgeted. This variance was largely attributable to scheduling changes related to the upgrade of the electric system for the National Data Center at Virginia Square; delays in awarding the SFRO boiler replacement contract; lower-than-anticipated costs for Headquarters cabling and interior construction costs; lower-than-budgeted utilities consumption; reductions in monthly lease payments; fewer office moves; delays in expenses for the Headquarters HVAC replacement project; under spending in the Equipment expense category due to intentional rescheduling of furniture purchases; delays in a planned human resources project; reduced mail costs due to lower-than-expected mail related services; significant savings on catering expenses due to changes in the Corporation's meetings and conferences policies; reduced printing of deposit insurance materials pending likely revisions to those materials; and lower-than-expected expenses to support bank closings, due in part to the smaller average size of bank failures.

- RMS spent $23 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.

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

- DIT spent $11 million, or 5 percent, less than budgeted. This variance was largely attributable to delays in hardware and software purchases. Equipment and software purchases for the technical refresh and Information Management and Compliance (IMAC) projects during the fourth quarter 2012 are expected to reduce this budget surplus.

- CIO Council spent $9 million, or 15 percent, less than budgeted. This variance was largely due to delays in beginning a number of planned projects and a determination that certain projects should be funded through the Corporation's Investment Budget. In addition, actual year-to-date spending on the IMAC project has fallen below the budget expectations because of delayed software purchases.

- CFI spent $7 million, or 15 percent, less than budgeted. This variance was attributable to lower-than-budgeted spending for contractual services and a higher-than-expected attrition rate.

- DCP spent $6 million, or 5 percent less than budgeted. This variance was primarily attributable to a $2 million variance in Salaries and Compensation due to vacancies in budgeted non-permanent examination positions; a $2 million variance in Outside Services-Personnel due to under spending for Money Smart and consumer research contracts; and a $900 thousand variance in Travel expenses due to less-than-budgeted spending for regular duty and relocation travel in Washington and the regional offices.

- The Corporation's Executive Support Offices spent approximately $4 million, or 19 percent, less than budgeted. This variance was mostly attributable to lower-than-budgeted spending for contract services by the Office of Minority and Women Inclusion and the Office of Communications, and slower-than-projected hiring.

- DIR spent $4 million, or 12 percent, less than budgeted, primarily attributable to vacancies in budgeted positions and slower-than-projected hiring to fill those vacancies ($2 million). Also, spending for contractual services was lower-than-budgeted ($1 million) due to delays in the development of a plan to create the ability to more effectively access and perform analysis on new large datasets to better support risk analysis and research activities within the FDIC and a revised strategy that will rely less on contractors for the failed bank Insight project.

- Corporate University spent $4 million, or 25 percent, less than budgeted in its Corporate Employee Program budget (CU-CEP). This variance was primarily due to the cancellation of one scheduled CEP class and the reduced need for funds for Salaries and Compensation (including overtime) and Travel resulting from that cancellation.

- The Division of Finance (DOF) spent $4 million, or 12 percent, less than budgeted. This variance was attributable to vacancies in budgeted positions and slower-than-expected hiring.

- The OIG spent $3 million, or 12 percent, less than budgeted, because of vacancies in budgeted positions and lower-than-projected travel expenses.

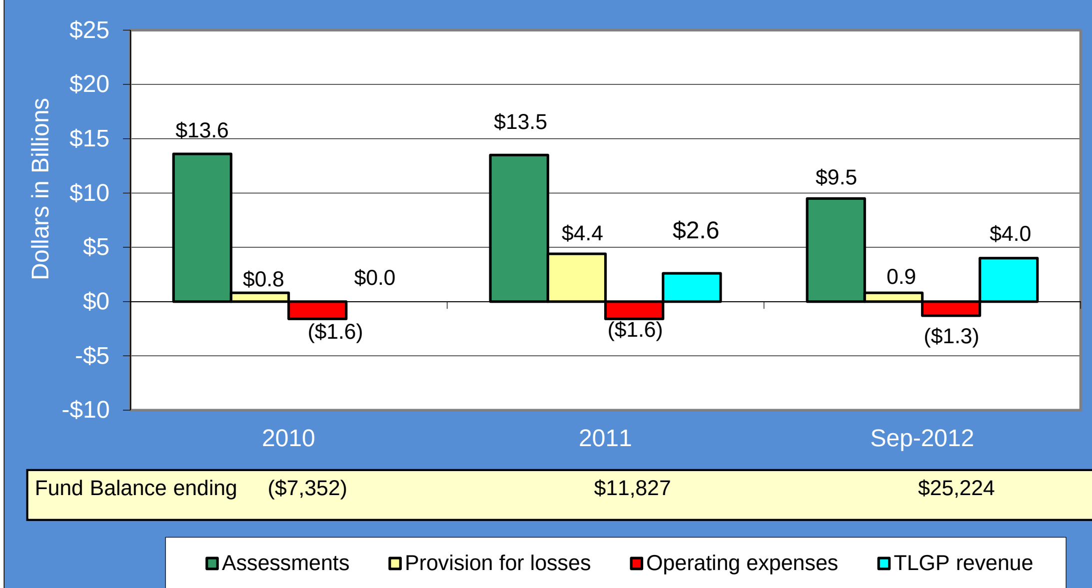
- None of the $3 million budgeted for Government Litigation was spent because DOJ did not yet request the reimbursement of expenses for projected FY 2013 expenses associated with defensive goodwill litigation.

Fund Financial Results

($ in Millions)

Balance Sheet	Deposit Insurance Fund				
	Sep-12	Jun-12	Quarterly Change	Sep-11	Year-Over-Year Change
Cash and cash equivalents	$ 1,587	$ 4,137	$ (2,550)	$ 9,929	$ (8,342)
Cash and investments - restricted - systemic risk	1,115	945	170	7,393	(6,278)
Investment in U.S. Treasury obligations, net	35,460	33,314	2,146	25,370	10,090
Trust preferred securities	2,255	2,314	(59)	2,179	76
Assessments receivable, net	660	454	206	231	429
Receivables and other assets - systemic risk	1,568	1,723	(155)	1,834	(266)
Interest receivable on investments and other assets, net	462	449	13	320	142
Receivables from resolutions, net	18,948	21,855	(2,907)	29,316	(10,368)
Property and equipment, net	379	386	(7)	401	(22)
Total Assets	$ 62,434	$ 65,577	$ (3,143)	$ 76,973	$ (14,539)
Accounts payable and other liabilities	346	348	(2)	369	(23)
Unearned revenue - prepaid assessments	9,219	11,474	(2,255)	20,360	(11,141)
Liabilities due to resolutions	21,215	24,185	(2,970)	31,492	(10,277)
Debt Guarantee Program liabilities - systemic risk	-	-	-	110	(110)
Deferred revenue - systemic risk	2,682	2,668	14	9,101	(6,419)
Postretirement benefit liability	188	188	-	166	22
Contingent liability for anticipated failures	3,556	4,017	(461)	7,247	(3,691)
Contingent liability for systemic risk	-	-	-	15	(15)
Contingent liability for litigation losses	4	4	-	300	(296)
Total Liabilities	$ 37,210	$ 42,884	$ (5,674)	$ 69,160	$ (31,950)
FYI: Unrealized gain (loss) on U.S. Treasury investments, net	65	(1)	66	41	24
FYI: Unrealized gain (loss) on trust preferred securities	293	352	(59)	218	75
FYI: Unrealized postretirement benefit (loss) gain	(34)	(34)	-	(19)	(15)
Fund Balance	$ 25,224	$ 22,693	$ 2,531	$ 7,813	$ 17,411

The fund balance increased by $46.1 billion from a negative $20.9 billion at year-end 2009 to a positive $25.2 billion at September 30, 2012 .



Of the total $46.1 billion increase in the fund balance, the primary contributors were $36.6 billion in assessments, $6.1 billion in negative provision for insurance losses, and $6.6 billion in TLGP revenue, offset by $4.5 billion in operating expenses.

Fund Financial Results - continued

($ in Millions)

Income Statement (year-to-date)	Deposit Insurance Fund				
	Sep-12	Jun-12	Quarterly Change	Sep-11	Year-Over-Year Change
Assessments earned	$ 9,460	$ 6,627	$ 2,833	$ 10,289	$ (829)
Systemic risk revenue	(4)	(3)	(1)	(35)	31
Interest on U.S. Treasury obligations	93	101	(8)	95	(2)
Other revenue	4,218	4,160	58	232	3,986
Total Revenue	$ 13,767	$ 10,885	$ 2,882	$ 10,581	$ 3,186
Operating expenses	1,309	867	442	1,291	18
Systemic risk expenses	(4)	(3)	(1)	(35)	31
Provision for insurance losses	(879)	(795)	(84)	(5,947)	5,068
Insurance and other expenses	3	2	1	3	-
Total Expenses and Losses	$ 429	$ 71	$ 358	$ (4,688)	$ 5,117
Net Income	$ 13,338	$ 10,814	$ 2,524	$ 15,269	$ (1,931)
Unrealized gain (loss) on U.S. Treasury investments, net	17	(49)	66	14	3
Unrealized gain (loss) on trust preferred securities	42	101	(59)	(118)	160
Unrealized postretirement benefit gain (loss)	-	-	-	-	-
Comprehensive Income	$ 13,397	$ 10,866	$ 2,531	$ 15,165	$ (1,768)

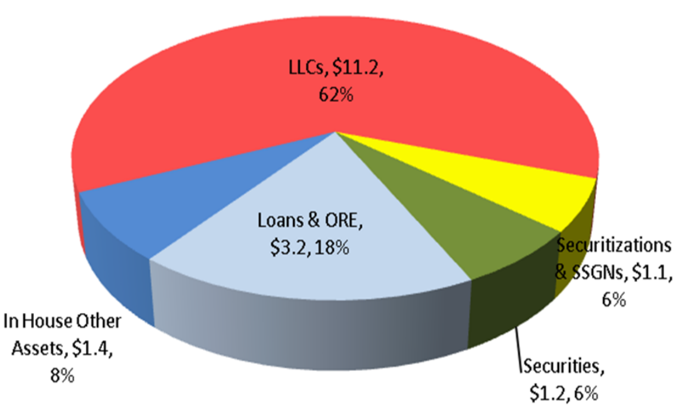
Selected Financial Data	FSLIC Resolution Fund				
	Sep-12	Jun-12	Quarterly Change	Sep-11	Year-Over-Year Change
Cash and cash equivalents	$ 3,594	$ 3,596	$ (2)	$ 3,528	$ 66
Accumulated deficit	(124,460)	(124,461)	1	(124,275)	(185)
Total resolution equity	3,596	3,595	1	3,551	45
Total revenue	4	2		6	(2)
Operating expenses	4	3		3	1
Goodwill litigation expenses	181	181		33	148
Payment of tax benefits	-	-		26	(26)
Net Income (Loss)	$ (180)	$ (180)		$ (51)	$ (129)

Receivership Selected Statistics September 2012 vs. September 2011

$ in millions	DIF			FRF			ALL FUNDS		
	Sep-12	Sep-11	*Change*	Sep-12	Sep-11	*Change*	Sep-12	Sep-11	*Change*
Total Receiverships	462	410	52	4	8	(4)	466	418	48
Assets in Liquidation	$ 18,158	$ 22,379	$ (4,221)	$ 7	$ 22	$ (15)	$ 18,165	$ 22,401	$ (4,236)
YTD Collections	$ 6,337	$ 9,885	$ (3,548)	$ 18	$ 8	$ 10	$ 6,355	$ 9,893	$ (3,538)
YTD Dividend/Other Pymts - Cash	$ 3,917	$ 7,389	$ (3,472)	$ -	$ -	$ -	$ 3,917	$ 7,389	$ (3,472)

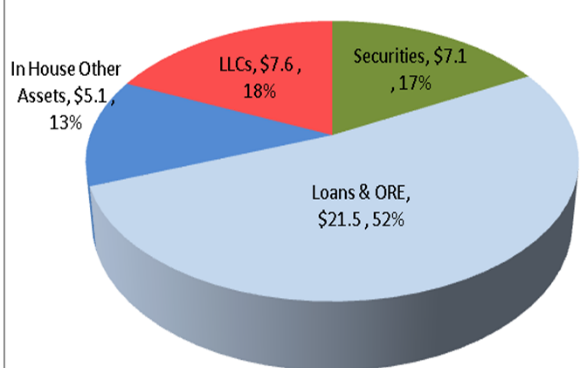
DIF Receivership Assets-In-Liquidation Portfolio
(Dollars in Billions)

September 30, 2012



Total Portfolio = $18.1

December 31, 2009



Total Portfolio = $41.3

Deposit Insurance Fund Portfolio Summary
(Dollar Values in Millions)

	9/30/12	12/31/11	Change
Par Value	$36,573	$36,784	($211)
Amortized Cost	$37,223	$37,337	($114)
Total Market Value (including accrued interest)	$37,520	$37,580	($60)
Primary Reserve [1]	$37,520	$37,580	($60)
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Yield-to-Maturity [2]	0.44%	0.41%	0.03%
Weighted Average Maturity (in years)	0.66	0.66	0.00
Effective Duration (in years) [3]			
Total Portfolio	0.62	0.62	0.00
Available-for-Sale Securities	0.68	0.73	0.05%
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)

	9/30/12	12/31/11	Change
Debt Guarantee Program			
Par Value	$1,113	$4,764	($3,651)
Book Value	$1,113	$4,807	($3,694)
Total Market Value (including accrued interest)	$1,113	$4,827	($3,714)
Yield-to-Maturity	0.08%	0.11%	(0.03%)
Weighted Average Maturity (in years)	0.09	0.21	(0.12)
FRF-FSLIC			
Book Value [5]	$3,424	$3,377	$47
Yield-to-Maturity	0.05%	0.00%	0.05%
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)

	9/30/12	12/31/11	Change
Book Value [6]	$16,852	$17,052	($200)
Effective Annual Yield	0.12%	0.10%	0.02%
Weighted Average Maturity (in days)	23	9	14

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

Investment Strategies	
Deposit Insurance Fund	**Strategy for the 3rd Quarter 2012** Purchase up to $9 billion (par value) of available-for-sale (AFS) securities with maturity dates between December 31, 2012, and December 31, 2015, subject to the following additional restrictions: no more than $6 billion (par value) of such securities shall have maturity dates beyond December 31, 2013; no more than $4 billion (par value) of such securities shall have maturity dates beyond December 31, 2014; and no more than $4 billion (adjusted par value) of such securities shall consist of Treasury Inflation-Protected Securities.
	Strategy Changes for 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.
Debt Guarantee Program	**Strategy for 3rd 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 4th Quarter 2012
	No strategy changes for the fourth quarter of 2012.
National Liquidation Fund	**Strategy for 3rd 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 4th Quarter 2012
	No strategy changes for the fourth quarter of 2012.

Executive Summary of 2012 Budget and Expenditures by Major Expense Category Through September 30, 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	$1,146,274	$854,721	$814,754	95%	($39,967)
Outside Services - Personnel	302,488	207,496	179,880	87%	(27,616)
Travel	110,780	81,253	71,215	88%	(10,038)
Buildings	91,594	66,755	59,923	90%	(6,832)
Equipment	91,320	61,989	48,224	78%	(13,765)
Outside Services - Other	18,976	14,189	10,860	77%	(3,329)
Other Expenses	19,346	11,898	8,381	70%	(3,517)
Total Ongoing Operations	**$1,780,779**	**$1,298,300**	**$1,193,237**	**92%**	**($105,063)**
Receivership Funding					
Salaries & Compensation	$248,759	$192,049	$151,536	79%	($40,513)
Outside Services - Personnel	1,035,101	688,331	410,745	60%	(277,586)
Travel	34,601	26,374	15,750	60%	(10,624)
Buildings	93,326	70,938	32,196	45%	(38,742)
Equipment	13,019	8,422	9,175	109%	753
Outside Services - Other	10,640	8,254	5,192	63%	(3,062)
Other Expenses	64,554	47,869	26,428	55%	(21,441)
Total Receivership Funding	**$1,500,000**	**$1,042,237**	**$651,022**	**62%**	**($391,215)**
Total Corporate Operating Budget	**$3,280,779**	**$2,340,537**	**$1,844,259**	**79%**	**($496,278)**
Investment Budget [1]	**$15,572**	**$11,375**	**$9,110**	**80%**	**($2,265)**
Grand Total	**$3,296,351**	**$2,351,912**	**$1,853,369**	**79%**	**($498,543)**

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 September 30, 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	$929,836	$566,731	61%	($363,105)
Risk Management Supervision	535,067	400,022	377,202	94%	(22,820)
Legal	304,470	227,898	196,343	86%	(31,555)
Information Technology	285,997	200,244	191,186	95%	(9,058)
Administration	272,750	203,708	179,477	88%	(24,231)
Depositor & Consumer Protection	159,841	118,943	113,343	95%	(5,600)
CIO Council	84,521	59,202	50,366	85%	(8,836)
Complex Financial Institutions	61,207	45,473	38,536	85%	(6,937)
Insurance & Research	43,604	32,219	28,209	88%	(4,010)
Finance	41,637	30,880	27,264	88%	(3,616)
Inspector General	35,743	25,442	22,355	88%	(3,087)
Executive Support [1]	31,082	22,816	18,573	81%	(4,243)
Corporate University - Corporate	23,408	17,109	15,326	90%	(1,783)
Corporate University - CEP	19,468	14,405	10,746	75%	(3,659)
Executive Offices [2]	11,676	9,640	8,603	89%	(1,037)
Government Litigation	2,700	2,700	0	0%	(2,700)
Corporate Unassigned	135,936	0	0	N/A	0
Total, Corporate Operating Budget	**$3,280,779**	**$2,340,537**	**$1,844,259**	**79%**	**($496,278)**
Investment Budget [3]					
Information Technology	$14,436	$10,646	$8,443	79%	($2,203)
Risk Management Supervision	531	419	431	103%	12
Corporate University - Corporate	345	310	217	70%	(93)
Resolutions and Receivership	10	0	17	N/A	17
Administration	250	0	2	N/A	2
Total, Investment Budget [3]	**$15,572**	**$11,375**	**$9,110**	**80%**	**($2,265)**
Combined Division/Office Budgets					
Resolutions & Receiverships	$1,231,682	$929,836	$566,748	61%	($363,088)
Risk Management Supervision	535,598	400,441	377,633	94%	(22,808)
Information Technology	300,433	210,890	199,629	95%	(11,261)
Legal	304,470	227,898	196,343	86%	(31,555)
Administration	273,000	203,708	179,477	88%	(24,231)
Depositor & Consumer Protection	159,841	118,943	113,345	95%	(5,598)
CIO Council	84,521	59,202	50,366	85%	(8,836)
Complex Financial Institutions	61,207	45,473	38,536	85%	(6,937)
Insurance & Research	43,604	32,219	28,209	88%	(4,010)
Finance	41,637	30,880	27,264	88%	(3,616)
Inspector General	35,743	25,442	22,355	88%	(3,088)
Executive Support [1]	31,082	22,816	18,573	81%	(4,243)
Corporate University - Corporate	23,753	17,419	15,543	89%	(1,876)
Corporate University - CEP	19,468	14,405	10,746	75%	(3,659)
Executive Offices [2]	11,676	9,640	8,603	89%	(1,037)
Government Litigation	2,700	2,700	0	0%	(2,700)
Corporate Unassigned	135,936	0	0	N/A	0
Grand Total	**$3,296,351**	**$2,351,912**	**$1,853,369**	**79%**	**($498,543)**

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.