



Deputy to the Chairman and Chief Financial Officer

March 31, 2025

MEMORANDUM TO: The Board of Directors

FROM: E. Marshall Gentry
Deputy to the Chairman
and Chief Financial Officer

SUBJECT: First Quarter 2025 CFO Report to the Board

The attached report highlights the FDIC's financial activities and results for the quarter ended March 31, 2025.

Executive Summary

- During the first quarter of 2025, the Deposit Insurance Fund (DIF) balance increased to \$140.9 billion as of March 31, 2025, up \$3.8 billion from the December 31, 2024, balance of \$137.1 billion. The quarterly increase was primarily due to assessment revenue of \$3.2 billion and interest on U.S. Treasury (UST) securities of \$1.1 billion, partially offset by operating expenses of \$617 million.
- The reserve ratio—the fund balance as a percentage of insured deposits—increased by 3 basis points in the first quarter to 1.31 percent.
- Through March 31, 2025, overall FDIC Operating Budget expenditures were below the year-to-date (YTD) budget by about \$75.1 million. Salaries and Compensation underspend resulting from vacant positions, compounded by the hiring freeze, was the primary contributor. Staffing authorizations remained constant during the first quarter although the FDIC began preparing workforce optimization programs in response to Executive Orders.

I. Financial Results (See pages 5 – 6 for detailed data and charts.)

Deposit Insurance Fund

- The provision for insurance losses was negative \$101 million for the first quarter of 2025 compared to negative \$1.2 billion for the same period last year. The negative provision for insurance losses in first quarter 2025 is primarily due to reductions in estimated losses for prior year failures that resulted from interest earned on receivership invested funds. For 2024, the negative provision primarily represented a decrease in estimated losses on uninsured deposits for Silicon Valley Bank and Signature Bank failures that must be recovered through a special assessment on insured depository institutions pursuant to the statutory systemic risk determination for these failures. Accordingly, in first quarter 2024, the special assessments receivable for the recovery of the estimated loss on uninsured deposits was reduced by \$1.2 billion with a corresponding reduction to assessment revenue.
- Assessment revenue was \$3.2 billion for the first quarter of 2025, compared to \$2.0 billion for the same period last year. Although the assessment revenue estimates for the first quarter 2025 and 2024 were both \$3.2 billion, a \$1.2 billion adjustment was made in the first quarter of 2024 reflecting the net decrease to the estimated losses associated with the protection of uninsured depositors as described above.
- For the first quarter of 2025, the DIF's comprehensive income totaled \$3.8 billion compared to \$3.5 billion for the same period last year. The year-over-year change of \$272 million was primarily due to a \$270 million increase in interest on UST securities. (Note that the decrease in assessment revenue and increase in provision for insurance losses, as described in the bullets above, almost fully offset each other; therefore, there is no impact to comprehensive income.)

Assessments

- During March, the DIF recognized assessment revenue of \$3.2 billion for the estimate of first quarter 2025 insurance coverage. Actual assessments for first quarter 2025 will be collected in the subsequent quarter.
- At the end of March 2025, the FDIC collected \$3.2 billion in DIF assessments for fourth quarter 2024 insurance coverage and \$2.1 billion in special assessments from the banking industry.

II. Investment Results (See pages 7 – 8 for detailed data and charts.)

DIF Investment Portfolio

- On March 31, 2025, the total liquidity (also total market value) of the DIF investment portfolio stood at \$104.0 billion, up \$5.8 billion from its December 31, 2024, balance of \$98.2 billion. During the quarter, resolution-related outlays and operating expenses were less than deposit insurance assessment collections, interest revenue, and receivership dividends.
- On March 31, 2025, the DIF investment portfolio's yield was 4.323 percent, down 11 basis points from its 4.435 percent yield on December 31, 2024.
- In accordance with the approved first quarter 2025 DIF portfolio investment strategy, FDIC purchased 12 conventional Treasury securities with a total par value of \$25.0 billion, a weighted average yield of 4.168 percent, and a weighted average maturity of 1.90 years.

III. Budget Results (See pages 9 – 10 for detailed data.)

Approved Budget Modifications

The 2025 Budget Resolution delegated to the Chief Financial Officer (CFO) the authority to make certain modifications to the 2025 FDIC Operating Budget. There were no budget adjustments in the first quarter.

Approved Staffing Modifications

The 2025 Budget Resolution delegated to the CFO the authority to modify approved 2025 staffing authorizations for divisions and offices, as long as those modifications do not increase the total approved Ongoing Operations or Receivership Funding components of the 2025 FDIC Operating Budget. During the first quarter, the FDIC began developing its Agency Reduction-in-Force and Reorganization Plan, in accordance with *Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative* Executive Order. FDIC staffing authorizations will be updated when the Workforce Optimization planning is complete. As a result, there were no staffing modifications in the first quarter.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the quarter ending March 31, 2025, are defined as those that either (1) exceeded the Year to Date (YTD) budget for a major expense category or division/office by more than \$5 million and represented more than three percent of the major expense category or total division/office budget; or (2) were under the YTD budget for a major expense category or division/office by more than \$15 million and represented more than 15 percent of the major expense category or total division/office budget.

Significant Spending Variances by Major Expense Category

Ongoing Operations

Overall spending for the Ongoing Operations budget component was \$67 million, or 10 percent, below budget through the first quarter of 2025. There was a significant spending variance in one major expense category:

- Spending in the Outside Services – Personnel expense category was under budget by \$20 million, or 19 percent. The variance was largely attributable to underspending in the following organizations:
 - The Division of Information Technology (DIT) underspent its YTD budget by \$5 million, largely due to delays in starting the backup data center network project; lower demand for client helpdesk and network services; lower-than-projected spending on facility modernization initiatives; and multiple delayed contract starts.
 - The Legal Division underspent its YTD budget by \$4 million because of lower-than-projected expenses for outside counsel, due largely to changes in the anticipated trajectory of one major litigation matter.
 - The Division of Resolutions and Receiverships (DRR) underspent its YTD budget by \$3 million, principally due to lower-than-projected expenses for Resolution Closing Teams, and procurement delays for the Asset and Portfolio Management Platform and other contracts.

- The Executive Offices underspent the YTD budget by \$2 million. The underspend was concentrated in the Office of the Chief Operating Officer and resulted from a pause in the culture change advisory services support contract while the FDIC further assesses the Action Plan for a Safe Work Environment.
- The Division of Administration underspent its YTD budget by \$2 million, largely due to reduced background investigation costs because of the hiring freeze and the transition to Continuous Vetting; lower-than-expected use of the Guard Services contract; and fewer-than-expected requirements for contractor support to implement the electronic Official Personnel Folder (e-OPF) initiative.
- The Office of the Chief Information Security Officer underspent its YTD budget by \$1 million, largely due to contractual delays in DIT, resulting in late starts for Authority to Operate (ATO) contract spending. The underspending also reflects shortages in vendor support across several lines of business.

Receivership Funding

The Receivership Funding component of the 2025 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 and other expenses required to ensure readiness without regard to whether failures occur.

Overall spending for the Receivership Funding budget component was \$7 million, or 14 percent, below budget through the first quarter of 2025. There was a significant spending variance in one major expense category within this budget component through the end of the first quarter:

- Spending in the Other Expenses category exceeded the YTD budget by \$10 million, or 1,902 percent. This DRR overspend was largely due to a previously unexpected continuation of settlement expenses related to the three large regional failures which occurred in 2023.

Office of Inspector General

There were no significant spending variances through the first quarter in the Office of Inspector General budget component.

Significant Spending Variances by Division/Office

There were no significant spending variances through the first quarter at the Division and Office level.

Fund Financial Results

(\$ in Millions)

Balance Sheet	Deposit Insurance Fund				
	Mar-25	Dec-24	Quarterly Change	Mar-24	Year-Over-Year Change
Cash and cash equivalents	\$ 40,216	\$ 48,250	\$ (8,034)	\$ 61,042	\$ (20,826)
Investment in U.S. Treasury securities	63,222	49,661	13,561	9,953	53,269
Assessments receivable	3,234	3,281	(47)	3,293	(59)
Special assessments receivable	10,705	12,823	(2,118)	19,179	(8,474)
Interest receivable on investments and other assets, net	583	328	255	109	474
Receivables from resolutions, net	32,398	32,281	117	55,521	(23,123)
Property and equipment, net	308	303	5	315	(7)
Operating lease right-of-use assets	92	80	12	79	13
Total Assets	\$ 150,758	\$ 147,007	\$ 3,751	\$ 149,491	\$ 1,267
Accounts payable and other liabilities	469	542	(73)	536	(67)
Operating lease liabilities	112	101	11	99	13
Liabilities due to resolutions	8,917	8,874	43	22,503	(13,586)
Postretirement benefit liability	263	263	0	256	7
Contingent liability for anticipated failures	101	126	(25)	797	(696)
Contingent liability for litigation losses	1	0	1	0	1
Total Liabilities	\$ 9,863	\$ 9,906	\$ (43)	\$ 24,191	\$ (14,328)
FYI: Unrealized gain (loss) on U.S. Treasury securities, net	107	34	73	(10)	117
FYI: Unrealized postretirement benefit (loss) gain	10	10	0	10	0
Fund Balance	140,895	\$ 137,101	\$ 3,794	\$ 125,300	\$ 15,595



The operating lease liability increased by 11 percent in the 1st quarter of 2025 from the 4th quarter of 2024. The majority of the increase was due to the extension of one of the headquarters leases for an additional three years in the amount of \$18 million.

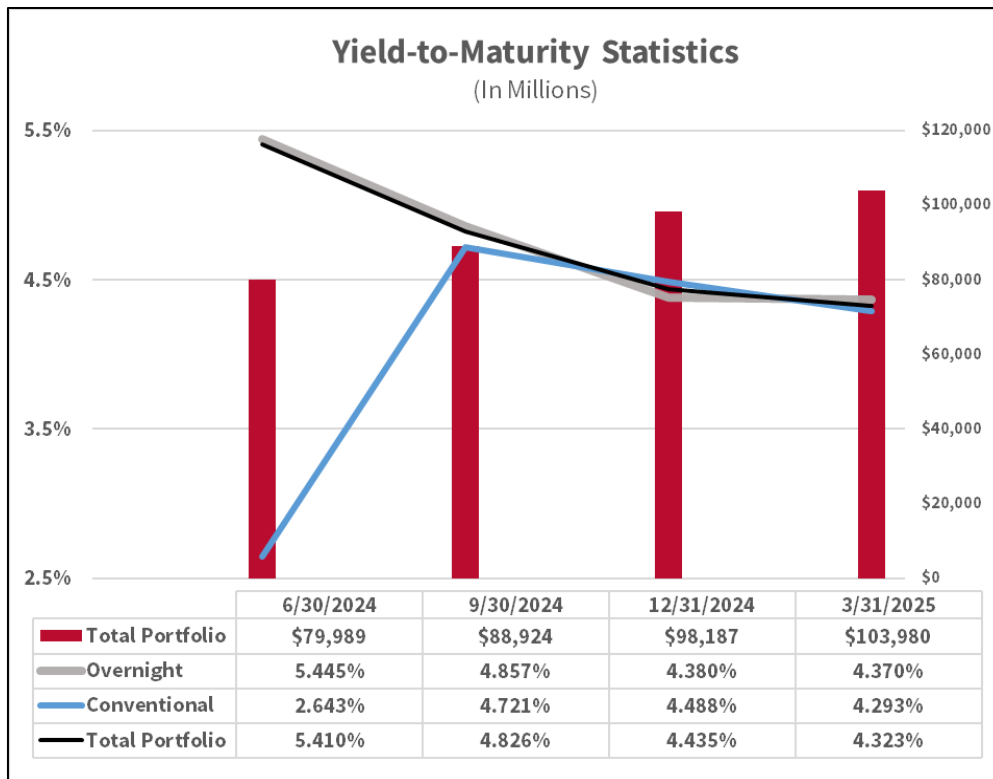
Receivership Selected Statistics March 2025 vs. March 2024

(\$ in millions)	DIF		
	Mar-25	Mar-24	Change
Total Receiverships	48	65	(17)
Assets in Liquidation	\$ 27,178	\$ 39,277	\$ (12,099)
YTD Collections	\$ 1,324	\$ 44,103	\$ (42,779)
YTD Dividend/Other Pmts - Cash	\$ 53	\$ 43,593	\$ (43,540)

Fund Financial Results - continued

(\$ in Millions)

Income Statement (year-to-date)	Deposit Insurance Fund				
	Mar-25	Dec-24	Quarterly Change	Mar-24	Year-Over-Year Change
Assessments	3,153	\$ 11,643		2,004	\$ 1,149
Interest on U.S. Treasury securities	1,065	3,951		795	270
Other Revenue	19	94		33	(14)
Total Revenue	\$ 4,237	\$ 15,688		\$ 2,832	\$ 1,405
Operating expenses	617	2,433		564	53
Provision for insurance losses	(101)	(2,009)		(1,235)	1,134
Insurance and other expenses	0	5		1	(1)
Total Expenses and Losses	\$ 516	\$ 429		\$ (670)	\$ 1,186
Net Income	\$ 3,721	\$ 15,259		\$ 3,502	\$ 219
Unrealized gain (loss) on U.S. Treasury securities, net	73	64		20	53
Unrealized postretirement benefit gain (loss)	0	0		0	0
Comprehensive Income (Loss)	\$ 3,794	\$ 15,323		\$ 3,522	\$ 272



With the banking failures in 2023, much of the investment portfolio was sold off for funding. As of June 30, 2024, the lower yield of the conventional portfolio reflects one bond that was purchased in April 2022 when the Federal Reserve had just begun raising rates. FDIC began purchasing longer-term securities in July of 2024.

Deposit Insurance Fund Investment Portfolio Summary			
(Dollar Values in Millions)			
	Mar-25	Dec-25	Change
Par Value	\$103,712	\$98,236	\$5,476
Amortized Cost	\$103,327	\$97,863	\$5,464
Total Market Value (including accrued interest)	\$103,980	\$98,187	\$5,793
Primary Reserve ¹	\$103,980	\$98,187	\$5,793
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Yield-to-Maturity	4.323%	4.435%	-0.112%
Weighted Average Maturity (in years)	0.57	0.26	0.31
Effective Duration (in years)			
Total Portfolio	0.55	0.25	0.30
Available-for-Sale Securities ²	0.89	0.50	0.39

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 Excludes any overnight investments.

Summary of Other Corporate Investment Portfolios			
(Dollar Values in Millions)			
	Mar-25	Dec-25	Change
<u>FRF-FSLIC</u>			
Book Value ³	\$1,005	\$995	\$10
Yield-to-Maturity	4.31%	4.32%	-0.01%
Weighted Average Maturity	overnight	overnight	no change

³ 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)			
	Mar-25	Dec-25	Change
Book Value ⁴	\$7,933	\$6,122	\$1,811
Effective Annual Yield	4.36%	4.47%	-0.11%
Weighted Average Maturity (in days)	12	21	(9)

⁴ Due to the short-term nature of the NLF portfolio, its Book and Market Values are identical for reporting purposes.

Investment Strategies

Investment Strategies	
DEPOSIT INSURANCE FUND	Strategy for the 1st Quarter 2025
	Purchase up to \$25.0 billion (par value) short- term Treasury Securities with maturities between 6-months and 3-years based on shape and slope of the yield curve. Invest \$12.5 billion between the 2-year and 3-year maturity.
	Strategy changes for the 2nd Quarter 2025
	Purchase up to \$25.0 billion (par value) short- term Treasury Securities with maturities between 6-months and 2-years based on shape and slope of the yield curve.
NATIONAL LIQUIDATION FUND	
	Strategy for the 1st Quarter 2025
	Maintain a minimum balance of \$0.25 billion in the FHLBNY overnight account. Invest excess funds in Government MMFs and agency discount notes of less than 12-month maturities.
	No strategy changes for the 2nd Quarter 2025
	Maintain a minimum balance of \$0.25 billion in the FHLBNY overnight account. Invest excess funds in Government MMFs and agency discount notes of less than 12-month maturities.

**Executive Summary of 2025 Budget and Expenditures
by Budget Component and Major Expense Category
Through March 31, 2025
(Dollars in Thousands)**

Major Expense Category	Annual Budget	YTD Budget	YTD Expenditures	% of YTD Budget Used	YTD Variance
FDIC Operating Budget					
<i>Ongoing Operations</i>					
Salaries & Compensation	\$ 1,822,048	\$ 452,628	\$ 419,541	93%	\$ (33,087)
Outside Services - Personnel	455,792	106,727	86,399	81%	(20,328)
Travel	75,526	18,256	14,665	80%	(3,591)
Buildings	149,882	34,024	28,104	83%	(5,920)
Equipment	182,514	41,384	38,860	94%	(2,524)
Outside Services - Other	19,520	4,489	3,421	76%	(1,068)
Other Expenses	17,085	5,516	4,612	84%	(903)
Total Ongoing Operations *	\$ 2,722,367	\$ 663,024	\$ 595,601	90%	\$ (67,423)
<i>Receivership Funding</i>					
Salaries & Compensation	\$ 32,300	\$ 8,055	\$ 5,943	74%	\$ (2,112)
Outside Services - Personnel	194,474	38,177	25,945	68%	(12,232)
Travel	2,919	730	309	42%	(420)
Buildings	873	217	390	180%	173
Equipment	16,865	3,998	1,411	35%	(2,587)
Outside Services - Other	430	108	16	15%	(91)
Other Expenses	2,138	535	10,702	2002%	10,168
Total Receivership Funding *	\$ 250,000	\$ 51,819	\$ 44,717	86%	\$ (7,102)
<i>Office of Inspector General</i>					
Salaries & Compensation	46,969	11,742	12,120	103%	378
Outside Services - Personnel	2,263	566	146	26%	(420)
Travel	1,114	279	219	79%	(60)
Buildings	0	0	41		41
Equipment	2,025	506	213	42%	(293)
Outside Services - Other	121	30	2	8%	(28)
Other Expenses	832	208	29	14%	(179)
Total Office of Inspector General *	\$ 53,324	\$ 13,331	\$ 12,771	96%	\$ (560)
Total FDIC Operating Budget *	\$ 3,025,691	\$ 728,175	\$ 653,089	90%	\$ (75,087)

* Totals may not foot due to rounding.

**Executive Summary of 2025 Budget and Expenditures
by Division/Office
Through March 31, 2025
(Dollars in Thousands)**

Division/Office	Annual Budget	YTD Budget	YTD Expenditures	% of YTD Budget Used	YTD Variance
<i>FDIC Operating Budget</i>					
Risk Management Supervision	\$ 753,148	\$ 187,536	\$ 175,101	93%	\$ (12,435)
Information Technology	490,260	115,691	106,829	92%	(8,862)
Administration	409,212	100,384	90,426	90%	(9,958)
Depositor & Consumer Protection	253,639	63,398	59,627	94%	(3,771)
Legal	255,127	63,541	56,866	89%	(6,675)
Resolutions & Receiverships	268,543	69,364	57,213	82%	(12,151)
Complex Institution Supervision & Resolution	128,498	31,537	28,677	91%	(2,860)
Insurance & Research	73,821	18,240	15,989	88%	(2,251)
Inspector General	53,324	13,331	12,771	96%	(560)
Chief Information Security Officer	64,929	15,327	13,305	87%	(2,022)
Executive Support ¹	78,503	18,097	10,487	58%	(7,610)
Finance	47,946	12,297	11,249	91%	(1,048)
Corporate University - Corporate	36,509	8,596	8,316	97%	(280)
Executive Offices ²	27,811	8,065	3,977	49%	(4,088)
Risk Management & Internal Control	12,646	2,771	2,256	81%	(515)
Corporate Unassigned ³	71,775	0	0	0%	0
Total FDIC Operating Budget⁴	\$ 3,025,691	\$ 728,175	\$ 653,089	90%	\$ (75,086)

1) Executive Support includes the Offices of Minority and Women Inclusion, Communications, Equal Employment Opportunity, Ombudsman, Professional Conduct, Legislative Affairs, and Financial Institution Adjudication.

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

3) Corporate Unassigned reflects a \$30 million contingency reserve in the Ongoing Operations budget component and a \$42 million contingency reserve in the Receivership Funding budget component to meet unanticipated budget requirements that may arise during the year.

4) Totals may not foot due to rounding.