FDIC Federal Deposit Insurance Corporation

Deputy to the Chairman and Chief Financial Officer

September 30, 2025

MEMORANDUM TO: The Board of Directors

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

SUBJECT: Third Quarter 2025 CFO Report to the Board

The attached report highlights the FDIC's financial activities and results for the quarter ended September 30, 2025.

Executive Summary

- The Deposit Insurance Fund (DIF) balance increased to $150.1 billion as of September 30, 2025, up $4.8 billion from the June 30, 2025, balance of $145.3 billion. The quarterly increase was primarily due to assessment revenue of $1.3 billion, interest on U.S. Treasury (UST) securities of $1.2 billion, and negative provision for insurance losses of $2.8 billion, partially offset by operating expenses of $0.6 billion.

- The reserve ratio as of September 30, 2025, was 1.40 percent; as noted in the second quarter Chief Financial Officer (CFO) report, the FDIC is no longer operating under a restoration plan.

- Through September 30, 2025, overall FDIC Operating Budget expenditures were below the year-to-date (YTD) budget by 13 percent ($291 million). Underspending totaled $233 million (12 percent) in the Ongoing Operations budget component and $55 million (35 percent) in the Receivership Funding budget component. The largest contributor to the underspend in Ongoing Operations was a $95 million (7 percent) variance in the Salaries and Compensation major expense category, primarily resulting from workforce optimization initiatives and the ongoing federal hiring freeze. The remaining major expense categories had variances greater than 16 percent. Underspending in Receivership Funding was principally because of lower-than-expected resolution activity and was partially offset by an unexpected continuation of settlement expenses related to the three large regional failures which occurred in 2023 as well as normal settlement expenses from non-2023 failures.

I. **Financial Results** (See pages 7 – 8 for detailed data and charts.)

Deposit Insurance Fund

- Provision for insurance losses totaled negative $3.6 billion for the first nine months of 2025 compared to negative $1.8 billion for the same period last year. The negative provision for insurance losses in 2025 is primarily due to reductions in estimated losses for prior year failures driven by updated asset valuations and reductions to receivership lifetime liquidation expense estimates, pending deposit claims, and shared loss liability. For both years, the negative provisions primarily represented a decrease in estimated losses on uninsured deposits for the 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, during the first nine months of 2025 and 2024, the special assessment receivable for the recovery of the estimated loss attributed to the protection of uninsured deposits was reduced by $2.4 billion and $1.5 billion, respectively, with a corresponding reduction to assessment revenue.

- Through September 30, 2025, the DIF has collected $12.6 billion in special assessments from the banking industry. After collection activities and net adjustments to the estimated losses, the remaining special assessments receivable was $4.1 billion as of September 30, 2025.

- The contingent liability for anticipated failures decreased by $84 million to $42 million since year-end 2024 primarily due to improvement in financial conditions throughout the industry and the acquisition of banks that had weaker financials by banks that have stronger financial positions.

- For the nine months of 2025, the DIF's comprehensive income totaled $13.0 billion compared to $11.3 billion for the same period last year. The year-over-year increase of $1.7 billion was primarily due to a decrease in negative provision for insurance losses of $1.8 billion.

Assessments

- During September, the DIF recognized assessment revenue and receivable of $3.1 billion for the estimate of third quarter 2025 insurance coverage. Actual assessments for the third quarter of 2025 will be collected in the subsequent quarter.

- At the end of September 2025, the FDIC collected $3.2 billion in DIF assessments for second quarter 2025 insurance coverage and $2.1 billion in special assessments from the banking industry.

II. **Investment Results** (See page 9 for detailed data and charts.)

DIF Investment Portfolio

- On September 30, 2025, the total liquidity (also total market value) of the DIF investment portfolio stood at $121.6 billion, up $11.6 billion from its June 30, 2025, balance of $109.9 billion. This increase was primarily due to deposit insurance assessment collections, interest revenue and receivership dividends exceeding resolution-related outlays and operating expenses.

- On September 30, 2025, the DIF investment portfolio's yield was 4.126 percent, down 8 basis points from its 4.208 percent yield on June 30, 2025.

- In accordance with the approved third quarter 2025 DIF portfolio investment strategy, staff purchased 12 conventional Treasury securities with a total par value of $25.0 billion, a weighted average yield of 3.932 percent, and a weighted average maturity of 1.08 years.

III. <u>Budget Results</u> (See pages 10 – 11 for detailed data.)

Approved Budget Modifications

The 2025 Budget Resolution delegated to the CFO the authority to make certain modifications to the 2025 FDIC Operating Budget. There were no budget adjustments in the third quarter.

Approved Staffing Modifications

The 2025 Budget Resolution delegated to the CFO the authority to modify approved 2025 staffing authorizations for divisions and offices, provided those modifications do not increase the total approved 2025 FDIC Operating Budget. The CFO approved the following modifications to staffing authorizations during the third quarter, in accordance with the authority delegated by the Board of Directors:

- In July 2025, the CFO approved the following mid-year staffing adjustments:

  - The Division of Depositor and Consumer Protection (DCP) realigned five positions from non-permanent to permanent to better reflect continuing workload requirements. DCP no longer has any non-permanent positions.

  - The Division of Complex Institution Supervision and Resolution (CISR) realigned three positions from non-permanent to permanent to reflect continuing workload requirements. CISR no longer has any non-permanent positions.

- In September 2025, the Office of Inspector General (OIG) eliminated 12 positions from its authorized staffing as part of its workforce optimization.

Spending Variances

Significant spending variances by major expense category and division or office are discussed below. Significant spending variances for the third quarter ending September 30, 2025, are defined as those that either (1) exceeded the YTD budget for a major expense category or division/office by more than $1 million and represented more than two 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 $7 million and represented more than seven 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 $233 million, or 12 percent, below the YTD budget through September 30, 2025. There were significant spending variances in five expense categories:

- Spending in the Salaries and Compensation major expense category was under budget by $95 million, or 7 percent. The variance was largely attributable to workforce optimization initiatives and vacancies in budgeted positions due to the ongoing federal hiring freeze.

- Spending in the Outside Services – Personnel major expense category was under budget by $55 million, or 17 percent. The variance was largely attributable to underspending in the following divisions and offices:

    - The Division of Information Technology (DIT) underspent its YTD budget by $17 million ($9 million for operations and $8 million for initiatives). The most significant variances related to stop work orders, reduced contract ceilings, slower project starts, and reduced costs under newly awarded contracts.

    - The Legal Division underspent its YTD budget by $12 million because of lower-than-projected expenses for outside counsel, due largely to slower-than-projected proceedings in one major litigation matter.

    - The Executive Support Offices underspent their YTD budget by $9 million. Spending in the Offices of Professional Conduct and Equal Employment Opportunity increased during the third quarter 2025 but accounted for most of the YTD variance in the category due to the continued impact of underspending earlier in the year as the newly established offices progressed through their start-up phase. In addition, the Office of Communications (OCOM) underspent its YTD budget by $2 million because a planned User Experience Support contract was cancelled and the need for Deposit Insurance Awareness Campaign consulting support has declined.

    - The Office of Chief Information Security Officer (OCISO) underspent its YTD budget by $4 million ($3 million for operations and $1 million for initiatives).The variances are largely attributable to delayed contractor onboarding, other contractor staffing challenges, and a delayed project start.

    - The Executive Offices underspent their YTD budget by $4 million due to less than anticipated spending for cultural transformation efforts due to reprioritization and streamlining of such efforts.

    - 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 application management contractors and owned real estate and loan servicing contract delays.

    - DCP underspent its budget by $2 million due to contract initiatives that were deferred or cancelled as a result of Presidential Executive Orders.

- Spending in the Travel major expense category was under budget by $15 million, or 27 percent. The variance was largely attributable to underspending of $11 million due to restrictions on non-mission essential travel causing reduced spending on education and training travel and reduced spending on employee relocation expenses as a result of the hiring freeze.

- Spending in the Buildings and Leased Space major expense category was under budget by $36 million, or 32 percent, mostly due to delays in owned building improvement projects as well as delays and reductions-in-scope of regional and field office buildouts. Owned building operations and maintenance costs are also lower than anticipated because of supply chain-related delays.

- Spending in the Equipment major expense category was under budget by $24 million, or 18 percent. DIT underspent its YTD budget by $22 million ($16 million in operations and $6 million in initiatives). Primary reasons for the variance include equipment ordered but not yet received and reductions in equipment leasing costs and software license costs.

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 $55 million, or 35 percent, below budget through September 30, 2025.

There were significant spending variances in two major expense categories through the end of the third quarter:

- Spending in the Outside Services - Personnel category was under budget by $51 million, or 44 percent largely due to lower-than-budgeted pre-failure and failure activity.

- Spending in the Other Expenses category was over budget by $9 million or 565 percent. This overspend was largely due to the unexpected continuation of settlement expenses related to the three large regional bank failures which occurred in 2023 as well as normal settlement expenses from non-2023 failures.

Office of Inspector General

There were no significant spending variances through September 30, 2025, in the OIG budget component.

Significant Spending Variances by Division/Office[1]

There were nine organizations with significant spending variances through the end of the third quarter, largely attributed to the explanation above:

- DRR underspent its YTD budget by $54 million, or 27 percent, including $10 million in its Ongoing Operations budget and $44 million in its Receivership Funding budget. The biggest contributors to the underspend in the Ongoing Operations budget component were lower-than-projected spending of $8 million in the Salaries and Compensation expense category, and $3 million in the Outside Services – Personnel major expense category. The underspend in the Receivership Funding budget component included $5 million in the Salaries and Compensation expense category, and $41 million in the Outside Services – Personnel category, offset by overspending of $9 million in Other Expenses category.

[1]Information on division/office variances pertains solely to the FDIC Operating Budget and does not include variances related to approved multi-year investment projects.

- DIT underspent its YTD budget by $49 million, or 13 percent, which includes $48 million in the Ongoing Operations budget (including $16 million in initiatives), and $1 million in the Receivership Funding budget. The largest contributors for the underspend in the Ongoing Operations budget component were the underspending of $17 million in Outside Services – Personnel, $22 million in the Equipment category, and $7 million in the Salaries and Compensation expense category.

- The Division of Risk Management Supervision (RMS) spent $43 million, or 8 percent, less than its YTD budget. Approximately $34 million was attributed to underspending in Salaries and Compensation. In addition, RMS underspent by about $8 million in Travel.

- The Division of Administration underspent its budget by $36 million, or 12 percent. The variance is mostly explained by $34 million underspending in Buildings and Lease Space.

- The Legal Division underspent its budget by $27 million, or 15 percent, including $17 million in its Ongoing Operations budget and $10 million in its Receivership Funding budget. The Ongoing Operations underspend includes $12 million in Outside Services - Personnel and $5 million in Salaries and Compensation. The Receivership Funding underspend includes $8 million in the Outside Services - Personnel budget because of lower-than-anticipated bank failure activity and resulting outside counsel costs, and $2 million in the Salaries and Compensation budget.

- The Executive Support Offices underspent their budget by $25 million, or 42 percent. This included $14 million in underspending in the Salaries and Compensation expense category, and $9 million in the Outside Services – Personnel expense category.

- CISR underspent its YTD budget by $12 million, or 12 percent. This included $10 million in underspending in the Salaries and Compensation expense category, and $1 million in the Outside Services – Personnel expense category, due to reductions from contract mission criticality reviews.

- The Executive Offices underspent their YTD budget by $10 million or 47 percent. The variances were largely in the Salaries and Compensation and Outside Services - Personnel expense categories.

- The Division of Insurance and Research underspent its budget by $8 million or 14 percent. The variance was mostly in the Salaries and Compensation category.

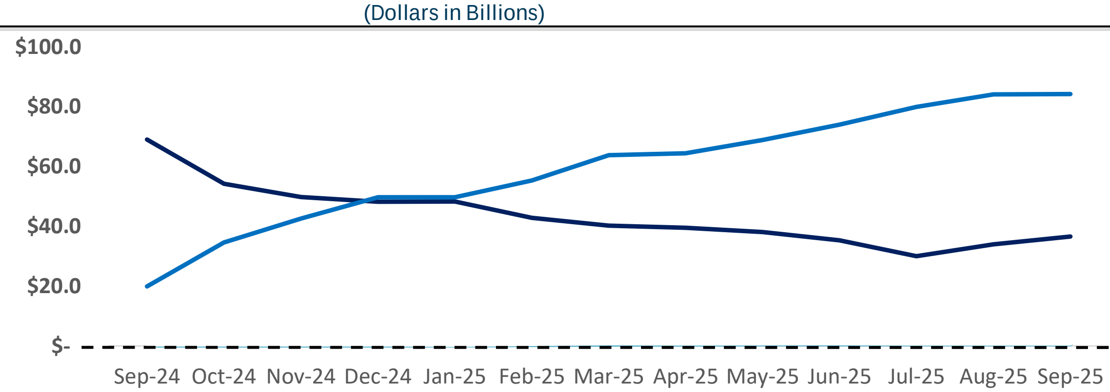
Fund Financial Results

Balance Sheet

(Dollars in Millions)	Sep-25	Jun-25	Deposit Insurance Fund Quarterly Change	Sep-24	Year-over-Year Change
Cash and cash equivalents	$ 36,230	$ 35,328	$ 902	$ 68,976	$ (32,746)
Investment in U.S. Treasury securities	84,182	73,957	10,225	19,840	64,342
Assessments receivable	3,144	3,762	(618)	3,308	(164)
Special assessments receivable	4,081	8,121	(4,040)	14,722	(10,641)
Interest receivable on investments and other assets, net	842	661	181	156	686
Receivables from resolutions, net	28,306	32,964	(4,658)	37,297	(8,991)
Property and equipment, net	331	323	8	311	20
Operating lease right-of-use assets	80	93	(13)	88	(8)
Total Assets	$ 157,196	$ 155,209	$ 1,987	$ 144,698	12,498
Accounts payable and other liabilities	435	675	(240)	474	(39)
Operating lease liabilities	104	114	(10)	109	(5)
Liabilities due to resolutions	6,241	8,749	(2,508)	10,583	(4,342)
Postretirement benefit liability	263	263	0	256	7
Contingent liability for anticipated failures	42	64	(22)	165	(123)
Contingent liability for litigation losses	2	1	1	0	2
Total Liabilities	$ 7,087	$ 9,866	$ (2,779)	$ 11,587	$ (4,500)
FYI: Unrealized gain (loss) on U.S. Treasury securities, net	245	146	99	31	214
FYI: Unrealized postretirement benefit (loss) gain	10	10	0	10	(0)
Fund Balance	$ 150,109	$ 145,343	$ 4,766	$ 133,111	$ 16,998

Changes in the DIF Investment Portfolio Composition

(Dollars in Billions)



	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
YTM (Overnight)	4.857%	4.816%	4.694%	4.380%	4.380%	4.370%	4.370%	4.370%	4.350%	4.208%	4.400%	4.380%	4.187%
YTM (Conventional)	4.721%	4.540%	5.518%	4.488%	4.488%	4.389%	4.293%	4.249%	4.226%	4.208%	4.197%	4.153%	4.099%
Duration (Total Portfolio)	0.11	0.21	0.25	0.25	0.21	0.40	0.55	0.55	0.57	0.60	0.62	0.61	0.60
Duration (Conventional)	0.49	0.54	0.53	0.50	0.41	0.70	0.89	0.88	0.90	0.89	0.85	0.88	0.86

UST Overnight Investments — Investment in UST Securities

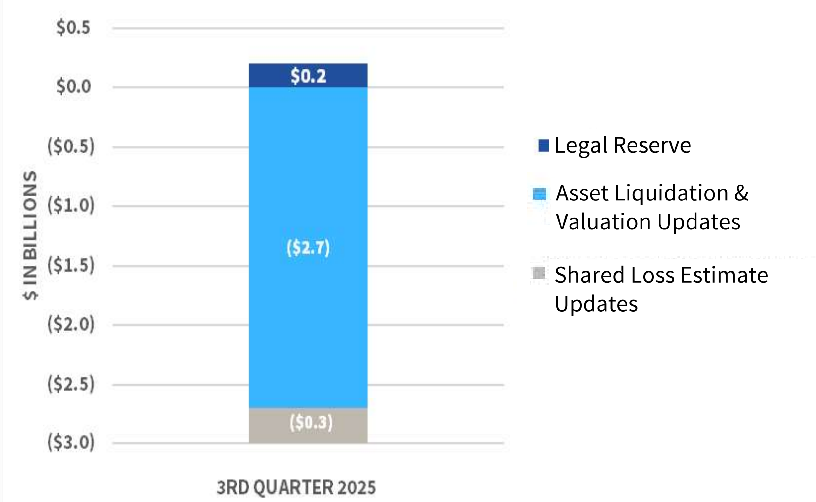
Through September 30, 2025, investments in UST securities have grown, as a broader effort to reduce the overnight cash balance and extend the duration of the investment portfolio. The Federal Open Market Committee (FOMC) cut rates by 25 basis points at their September meeting, immediately reducing the overnight rate. The shift into short-term securities will continue throughout year end, as the FOMC may cut rates again this December. Economic conditions will drive that decision, and market participants are mixed on expectations.

Fund Financial Results - continued

Income Statement

(Dollars in Millions)	Sep-25	Jun-25	Deposit Insurance Fund Quarterly Change	Sep-24	Year-over-Year Change
Assessments	$ 7,602	$ 6,306	$ 1,296	$ 8,225	$ (623)
Interest on U.S. Treasury securities	3,339	2,169	1,170	2,894	445
Other Revenue	56	39	17	77	(21)
Total Revenue	$ 10,997	$ 8,514	2,483	$ 11,196	(199)
Operating expenses	1,817	1,247	570	1,767	50
Provision for insurance losses	(3,618)	(863)	(2,755)	(1,846)	(1,772)
Insurance and other expenses	1	0	1	3	(2)
Total Expenses	$ (1,800)	$ 384	$ (2,184)	$ (76)	$ (1,724)
Net Income	$ 12,797	$ 8,130	$ 4,667	$ 11,272	$ 1,525
Unrealized gain (loss) on U.S. Treasury securities, net	211	112	99	61	150
Unrealized postretirement benefit gain (loss)	0	0	0	0	0
Comprehensive Income (Loss)	$ 13,008	$ 8,242	$ 4,766	$ 11,333	$ 1,675

Components of the Negative Provision for Insurance Losses



During 3rd Quarter 2025, provision for insurance losses decreased by $2.8 billion to negative $3.6 billion, primarily due to reductions in estimated losses for prior year failures, driven by updated asset valuations and shared loss liability. In the 3rd Quarter 2025, the special assessment receivable for the recovery of the estimated loss attributed to the protection of uninsured deposits for the systemic risk failures was reduced by $2.0 billion with a corresponding reduction to assessment revenue.

Receivership Selected Statistics September 2025 vs. September 2024

	DIF		
($ in millions)	**Sep-25**	**Sep-24**	***Change***
Total Receiverships	44	61	(17)
Assets in Liquidation	$ 24,990	$ 34,036	$ (9,046)
YTD Collections	$ 4,581	$ 50,429	$ (45,848)
YTD Dividend/Other Pmts - Cash	$ 4,988	$ 50,722	$ (45,734)

Deposit Insurance Fund Portfolio Summary (Dollars in Millions)			
	Sep-25	Jun-25	Change
Par Value	$120,552	$109,323	$11,229
Amortized Cost	$120,489	$109,135	$11,354
Total Market Value (including accrued interest)	$121,555	$109,909	$11,646
Primary Reserve [1]	$121,555	$109,909	$11,646
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Yield-to-Maturity	4.126%	4.208%	-0.082%
Weighted Average Maturity (in years)	0.63	0.63	0.00
Effective Duration (in years)			
Total Portfolio	0.60	0.60	0.00
Available-for-Sale Securities [2]	0.86	0.89	-0.03

[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 (Dollars in Millions)			
	Sep-25	Jun-25	Change
FRF-FSLIC			
Book Value [3]	$1,028	$1,016	$12
Yield-to-Maturity	4.13%	4.15%	-0.02%
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 (Dollars in Millions)			
	Sep-25	Jun-25	Change
Book Value [4]	$5,907	$9,499	($3,592)
Effective Annual Yield	4.18%	4.35%	-0.17%
Weighted Average Maturity (in days)	33	22	11

[4] 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 3rd 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.
	No strategy changes for the 4th 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 3rd 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.
	Strategy changes for the 4th 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 more than $2.0 billion can be outstanding in agency discount notes.

Executive Summary of 2025 Budget and Expenditures by Budget Component and Major Expense Category Through September 30, 2025 (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	$ 1,822,046	$ 1,343,410	$ 1,248,501	93%	$ (94,909)
Outside Services - Personnel	455,689	324,727	269,816	83%	(54,911)
Travel	74,079	55,593	40,808	73%	(14,785)
Buildings	152,976	111,900	76,352	68%	(35,548)
Equipment	181,851	134,866	111,158	82%	(23,708)
Outside Services - Other	18,983	14,286	9,885	69%	(4,402)
Other Expenses	16,744	12,838	8,106	63%	(4,733)
Total Ongoing Operations [1]	$ 2,722,367	$ 1,997,620	$ 1,764,625	88%	$ (232,995)
Receivership Funding					
Salaries & Compensation	$ 32,300	$ 23,916	$ 16,984	71%	$ (6,932)
Outside Services - Personnel	194,474	114,793	64,240	56%	(50,553)
Travel	2,919	2,190	549	25%	(1,641)
Buildings	873	654	410	63%	(244)
Equipment	16,865	12,876	8,716	68%	(4,160)
Outside Services - Other	430	323	62	19%	(261)
Other Expenses	2,138	1,604	10,672	665%	9,068
Total Receivership Funding [1]	$ 250,000	$ 156,355	$ 101,632	65%	$ (54,723)
Office of Inspector General					
Salaries & Compensation	$ 46,969	$ 35,227	$ 34,337	97%	$ (890)
Outside Services - Personnel	2,263	1,697	539	32%	(1,158)
Travel	1,114	836	380	45%	(456)
Buildings	0	0	41		41
Equipment	2,025	1,518	875	58%	(644)
Outside Services - Other	121	91	88	96%	(3)
Other Expenses	832	624	56	9%	(567)
Total Office of Inspector General [1]	$ 53,324	$ 39,993	$ 36,316	91%	$ (3,677)
Total FDIC Operating Budget [1]	$ 3,025,691	$ 2,193,968	$ 1,902,573	87%	$ (291,396)

1. Totals may not foot due to rounding.

Executive Summary of 2025 Budget and Expenditures by Division/Office Through September 30, 2025 (Dollars in Thousands)					
Division/Office	Annual Budget	YTD Budget	YTD Expenditures	% of YTD Budget Used	YTD Variance
FDIC Operating Budget					
Risk Management Supervision	$ 753,147	$ 557,342	$ 513,994	92%	$ (43,348)
Information Technology	490,260	367,340	318,570	87%	(48,770)
Administration	409,212	302,621	266,272	88%	(36,349)
Depositor & Consumer Protection	253,639	187,641	179,218	96%	(8,423)
Legal	255,127	189,082	161,593	85%	(27,489)
Resolutions & Receiverships	268,543	199,896	145,938	73%	(53,958)
Complex Institution Supervision & Resolution	128,498	94,435	82,831	88%	(11,604)
Insurance & Research	73,821	54,436	46,704	86%	(7,732)
Inspector General	53,324	39,993	36,316	91%	(3,677)
Chief Information Security Officer	64,929	47,994	41,360	86%	(6,634)
Executive Support [1]	78,503	58,825	33,943	58%	(24,882)
Finance	47,946	35,460	33,059	93%	(2,401)
Corporate University - Corporate	36,509	27,265	23,794	87%	(3,471)
Executive Offices [2]	27,812	22,145	11,730	53%	(10,415)
Risk Management & Internal Control	12,646	9,493	7,251	76%	(2,242)
Corporate Unassigned [3]	71,775	0	0	0%	0
Total FDIC Operating Budget [4]	$ 3,025,691	$ 2,193,968	$ 1,902,573	87%	$ (291,396)

1) Executive Support includes the Offices of Minority and Women Inclusion, Communications, Ombudsman, Legislative Affairs, Professional Conduct, Equal Employment Opportunity, and Financial Institution Adjudication.
2) Executive Offices include Chairman, Vice Chairman, Appointive Director, Deputies to the Chairman, and Chief Information Officer/Chief Privacy Officer.
3) This includes 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.