FDIC Federal Deposit Insurance Corporation

Deputy to the Chairman and Chief Financial Officer

June 30, 2025

MEMORANDUM TO: The Board of Directors

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

SUBJECT: Second Quarter 2025 CFO Report to the Board

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

Executive Summary

- The Deposit Insurance Fund (DIF) balance increased to $145.3 billion as of June 30, 2025, up $4.4 billion from the March 31, 2025, balance of $140.9 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.

- The reserve ratio as of June 30, 2025 was 1.36 percent. As a result, starting in the third quarter, the FDIC will no longer be operating under a Restoration Plan.

- Through June 30, 2025, overall FDIC Operating Budget expenditures were below the year-to-date (YTD) budget by 10 percent ($149 million). This consisted of underspending of $113 million (9 percent) in the Ongoing Operations component and $34 million (33 percent) in the Receivership Funding component. The largest contributor to the underspending in Ongoing Operations was a $41 million (19 percent) variance in the Outside Services - Personnel category. In the Receivership Funding component, underspending on pre-failure and failure contracting service needs was partially offset by a continuation of expenses related to the three large regional failures which occurred in 2023.

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

Deposit Insurance Fund

- The provision for insurance losses was negative $0.9 billion for the first half of 2025 compared to negative $1.6 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 reductions to receivership lifetime expense estimates and reductions to pending deposit claims both totaling $0.7 billion. The majority of the lifetime expense reductions is concentrated in the three large 2023 resolutions. 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, in the first halves of 2025 and 2024, the special assessments receivable for the recovery of the estimated loss on uninsured deposits was reduced by $0.5 billion and $1.2 billion, respectively, with a corresponding reduction to assessment revenue (as depicted on the graph, "Components of YTD Assessment Revenue 2025 vs. 2024").

- Assessment revenue was $6.3 billion for the first half of 2025, compared to $5.2 billion for the same period last year. The year-over-year increase of $1.1 billion was primarily due to lower systemic risk adjustments in the current year (as discussed in the preceding bullet) and the recognition of $0.7 billion in assessment revenue for the settlement of litigation on underpaid assessments.

- The FDIC filed suit against Bank of America (BoA) in 2017 seeking payment of past due deposit insurance assessments, which BoA systematically underpaid for the period 2012 – 2014. By order entered on April 1, 2025, the United States District Court for the District of Columbia entered judgment for the FDIC and against BoA in the amount of $540 million, plus pre- and post-judgment interest. On July 3, 2025, BANA paid the FDIC $657.3 million, which included the $540 million judgment amount but, as alleged by the FDIC, underpaid pre- and post-judgment interest by approximately $255 million. The difference in the interest calculation arises because the FDIC and BANA disagree on the interest rate that applies to pre- and post-judgment interest; BANA asserts a regulatory rate applies and the FDIC maintains that after the court entered a judgment, the higher prime rate applies to pre-judgment interest. The parties are currently briefing their opposing views for the court.

Assessments

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

- At the end of June 2025, the FDIC collected $3.1 billion in DIF assessments for first quarter 2025 insurance coverage and $2.1 billion in special assessments from the banking industry.

II. Investment Results (See pages 9 – 10 for detailed data and charts.)

DIF Investment Portfolio

- On June 30, 2025, the total liquidity (also total market value) of the DIF investment portfolio stood at $109.9 billion, up $5.9 billion from its March 31, 2025, balance of $104.0 billion. During the quarter, resolution-related outlays and operating expenses were less than deposit insurance assessment collections, interest revenue and receivership dividends.

- On June 30, 2025, the DIF investment portfolio's yield was 4.208 percent, down 12 basis points from its 4.323 percent yield on March 31, 2025.

- In accordance with the approved second quarter 2025 DIF portfolio investment strategy, staff purchased 13 conventional Treasury securities with a total par value of $25.0 billion, a weighted average yield of 4.113 percent, and a weighted average maturity of 1.06 years.

III. Budget Results (See pages 11 – 12 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 second 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 second quarter, the FDIC began implementing its Agency RIF and Reorganization Plan, in accordance with Executive Order (EO) 14210, *Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative*. In accordance with the EO, the FDIC reduced its 2025 staffing authorization by 1,272 positions (1,054 permanent; 218 non-permanent).

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the quarter ending June 30, 2025, are defined as those that either (1) exceeded the YTD budget for a major expense category or division/office by more than $2 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 $10 million and represented more than 10 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 $113 million, or 9 percent, below budget through the second quarter of 2025. There were significant spending variances in two major expense categories:

- Spending in the Outside Services – Personnel expense category was under budget by $41 million, or 19 percent. The variance was largely attributable to underspending in the following divisions and offices:
    - The Division of Information Technology underspent its YTD budget by $9 million, due to a reduction in Infrastructure Support Services (ISS), delayed awards, stop work orders and contract cancellations.
    - The Legal Division underspent its YTD budget by $8 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 combined YTD budget by $6 million. Spending in the newly established Offices of Professional Conduct and Equal Employment Opportunity increased during the second quarter, but accounted for most of the year-to-date variance in the category due to the continued impact of underspending earlier in the year as the offices ramp up.
    - The Executive Offices underspent their combined YTD budget by $6 million as a result of less than anticipated spending for cultural transformation efforts due to prioritization and streamlining of such efforts.
    - The Office of the Chief Information Security Officer underspent its YTD budget by $3 million, largely due to contractor onboarding delays for security response and cybersecurity program management, and delays in Authority to Operate (ATO) work.
- Spending in the Buildings & Leased Space major expense category was under the Year-To-Date budget by $20 million, or 27 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 because of supply chain-related delays.

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.

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

- Spending in the Outside Services - Personnel category was under budget by $46 million, or 61 percent. The Division of Resolutions and Receiverships (DRR) underspent by $28 million largely due to lower than budgeted pre-failure and failure activity. Legal expenses were under budget by $18 million, most of which was subsequently recorded during July.

- Spending in the Other Expenses category was over-budget by $20 million. This overspend was largely due to the continuation of expenses related to the three large regional failures which occurred in 2023.

Office of Inspector General

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

Significant Spending Variances by Division/Office[1]

There were three organizations with significant spending variances through the end of second quarter:

- The Legal Division underspent its budget by $27 million, or 21 percent, including $8 million in its Ongoing Operations budget and $19 million in its Receivership Funding budget. Underspending in the Outside Services-Personnel category included $8 million in Ongoing Operations and $18 million in Receivership Funding, for the reasons stated above.

- DRR underspent its YTD budget by $21 million, or 15 percent, including $6 million in its Ongoing Operations budget and $14 million in its Receivership Funding budget. The biggest contributor to the underspend in the Ongoing Operations budget component was lower-than-projected spending of $4 million in the Salaries and Compensation expense category due to vacancies in budgeted positions and $2 million in the Outside Services – Personnel expense category as mentioned above. The underspend in the Receivership Funding budget component included $3 million in the Salaries and Compensation expense category due to

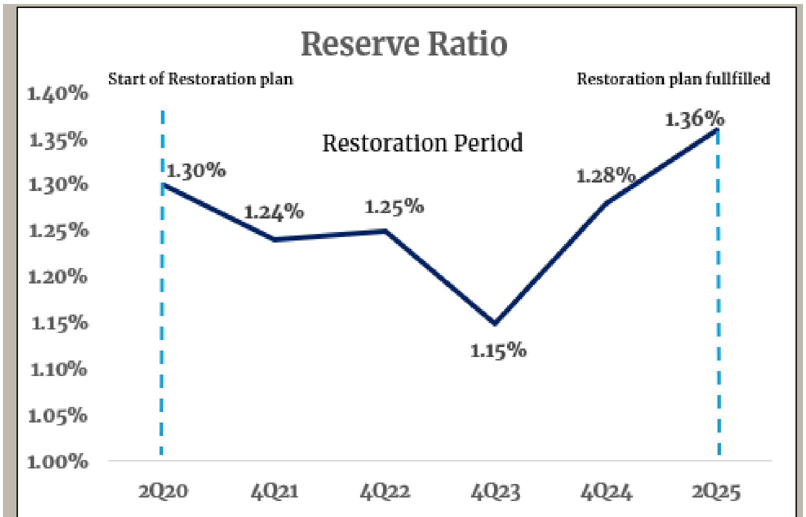
[1]Information on division/office variances reflects variances in the FDIC Operating Budget and does not address variances related to approved multi-year investment projects.

the high number of vacancies in non-permanent positions, and $28 million in the Outside Services – Personnel category as explained above, offset by over-spending of $21 million in Other Expenses category as explained above.

- The Executive Support Offices underspent their combined YTD budget by $15 million, or 38 percent. This included $8 million in underspending in the Salaries and Compensation expense category due to vacancies in budgeted positions, and $6 million in the Outside Services – Personnel expense category, for the reasons stated above.

Fund Financial Result

Balance Sheet ($ in Millions)	Deposit Insurance Fund Jun-25	Mar-25	Quarterly Change	Jun-24	Year-Over-Year Change
Cash and cash equivalents	$ 35,328	$ 40,216	$ (4,888)	$ 77,447	$ (42,119)
Investment in U.S. Treasury securities	73,957	63,222	10,735	2,497	71,460
Assessments receivable	3,762	3,234	528	3,288	474
Special assessments receivable	8,121	10,705	(2,584)	17,062	(8,941)
Interest receivable on investments and other assets, net	661	583	78	65	596
Receivables from resolutions, net	32,964	32,398	566	55,265	(22,301)
Property and equipment, net	323	308	15	306	17
Operating lease right-of-use assets	93	92	1	72	21
Total Assets	$ 155,209	$ 150,758	$ 4,451	$ 156,001	$ (792)
Accounts payable and other liabilities	675	469	206	532	143
Operating lease liabilities	114	112	2	93	21
Liabilities due to resolutions	8,749	8,917	(168)	25,835	(17,086)
Postretirement benefit liability	263	263	0	256	7
Contingent liability for anticipated failures	64	101	(37)	50	14
Contingent liability for litigation losses	1	1	0	0	1
Total Liabilities	$ 9,866	$ 9,863	$ 3	$ 26,765	$ (16,899)
FYI: Unrealized gain (loss) on U.S. Treasury securities, net	146	107	39	(3)	149
FYI: Unrealized postretirement benefit (loss) gain	10	10	0	10	(0)
Fund Balance	145,343	$ 140,895	$ 4,448	$ 129,236	$ 16,107



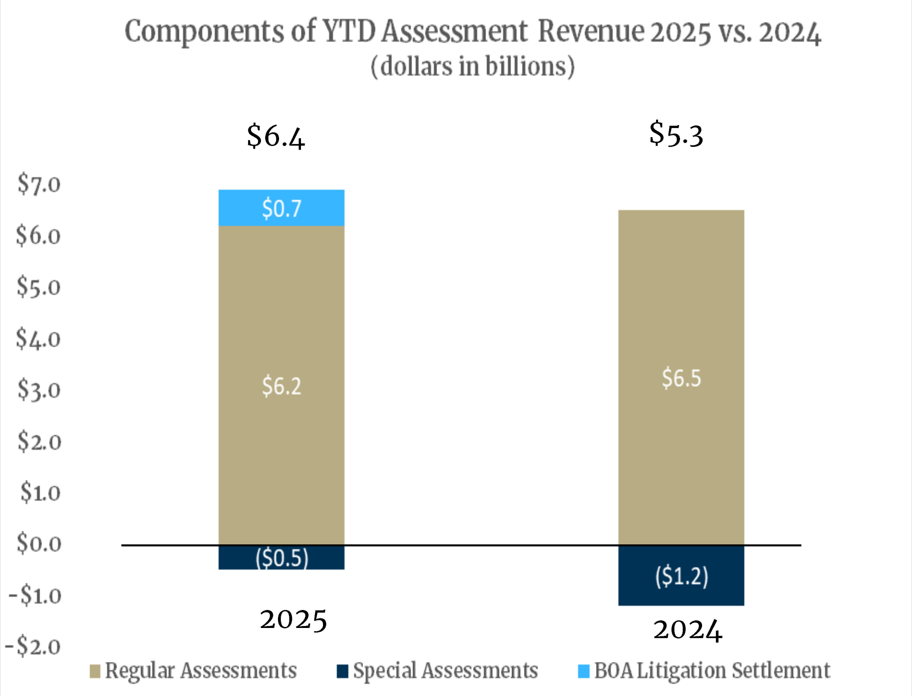
The Dodd-Frank Act increased FDIC's minimum reserve ratio for the DIF to 1.35 percent. In June 2020, FDIC's reserve ratio fell to 1.30 percent due to extraordinary insured deposit growth in the first half of 2020. In response to the ratio decline, in September 2020, the FDIC established a Restoration Plan. Then in June 2022, the FDIC adopted an Amended Restoration Plan that would increase assessment rates to ensure FDIC would reach the statutory minimum reserve ratio of 1.35 percent by September 30, 2028, the statutory deadline. On June 30, 2025, FDIC reached a reserve ratio of 1.36 percent and as a result, starting in the third quarter of 2025, the FDIC will no longer be operating under a Restoration Plan.

Activity Impacting the Special Assessments Receivable as of June 30, 2025
(dollars in millions)

Initial estimated losses on uninsured deposits	15,831
Adjustments to estimated losses on uninsured deposits	2,809
Collections from financial institutions	(10,519)
Balance @ 6/30/25	8,121

Fund Financial Results - continued

Income Statement (year-to-date) ($ in Millions)	Deposit Insurance Fund Jun-25	Mar-25	Quarterly Change	Jun-24	Year-Over-Year Change
Assessments	6,306	$ 3,153	$ 3,153	5,204	$ 1,102
Interest on U.S. Treasury securities	2,169	1,065	1,104	1,776	393
Other Revenue	39	19	20	54	(15)
Total Revenue	$ 8,514	$ 4,237	4,277	$ 7,034	$ 1,480
Operating expenses	1,247	617	630	1,173	74
Provision for insurance losses	(863)	(101)	(762)	(1,572)	709
Insurance and other expenses	0	0	0	2	(2)
Total Expenses and Losses	$ 384	$ 516	(132)	$ (397)	$ 781
Net Income	$ 8,130	$ 3,721	$ 4,409	$ 7,431	$ 699
Unrealized gain (loss) on U.S. Treasury securities, net	112	73	39	27	85
Unrealized postretirement benefit gain (loss)	0	0	0	0	0
Comprehensive Income (Loss)	$ 8,242	$ 3,794	4,448	$ 7,458	$ 784



YTD regular assessment revenue was $6.2 billion, approximately $142 million (4.4%) lower in 2Q 2025 compared to 2Q 2024, primarily driven by a 0.42 bps (6.8%) decrease in the assessment rate. The negative adjustments to assessment revenue in both years represented reductions to the estimated losses on uninsured deposits for the Silicon Valley Bank and Signature Bank failures.

Receivership Selected Statistics June 2025 vs. June 2024

($ in millions)	DIF Jun-25	Jun-24	Change
Total Receiverships	46	61	(15)
Assets in Liquidation	$ 25,969	$ 36,156	$ (10,187)
YTD Collections	$ 2,621	$ 47,467	$ (44,846)
YTD Dividend/Other Pmts - Cash	$ 69	$ 47,609	$ (47,540)

Deposit Insurance Fund Portfolio Summary (Dollar Values in Millions)			
	Jun-25	Mar-25	Change
Par Value	$109,323	$103,712	$5,611
Amortized Cost	$109,135	$103,327	$5,808
Total Market Value (including accrued interest)	$109,909	$103,980	$5,929
Primary Reserve [1]	$109,909	$103,980	$5,929
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Yield-to-Maturity	4.208%	4.323%	-0.115%
Weighted Average Maturity (in years)	0.63	0.57	0.06
Effective Duration (in years)			
Total Portfolio	0.60	0.55	0.05
Available-for-Sale Securities [2]	0.89	0.89	0.00

[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)			
	Jun-25	Mar-25	Change
FRF-FSLIC			
Book Value [3]	$1,016	$1,005	$11
Yield-to-Maturity	4.15%	4.31%	-0.16%
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)			
	Jun-25	Mar-25	Change
Book Value [4]	$9,499	$7,933	$1,566
Effective Annual Yield	4.35%	4.36%	-0.01%
Weighted Average Maturity (in days)	22	12	10

[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 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.
	No strategy changes 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.
NATIONAL LIQUIDATION FUND	**Strategy 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.
	No strategy changes 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.

Executive Summary of 2025 Budget and Expenditures by Budget Component and Major Expense Category Through June 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	$ 892,216	$ 863,459	97%	$ (28,757)
Outside Services - Personnel	458,189	215,407	174,519	81%	(40,888)
Travel	74,079	36,926	28,069	76%	(8,858)
Buildings	153,215	74,007	54,040	73%	(19,967)
Equipment	179,112	88,493	78,876	89%	(9,617)
Outside Services - Other	18,983	9,650	7,210	75%	(2,440)
Other Expenses	16,744	9,362	6,448	69%	(2,913)
Total Ongoing Operations *	**$ 2,722,367**	**$ 1,326,060**	**$ 1,212,621**	**91%**	**$ (113,440)**
Receivership Funding					
Salaries & Compensation	32,300	15,908	11,703	74%	(4,205)
Outside Services - Personnel	194,474	76,414	30,175	39%	(46,238)
Travel	2,919	1,460	320	22%	(1,140)
Buildings	873	436	381	88%	(54)
Equipment	16,865	8,768	6,066	69%	(2,702)
Outside Services - Other	430	215	16	7%	(199)
Other Expenses	2,138	1,069	21,564	2017%	20,495
Total Receivership Funding *	**$ 250,000**	**$ 104,269**	**$ 70,225**	**67%**	**$ (34,044)**
Office of Inspector General					
Salaries & Compensation	$ 46,969	$ 23,485	$ 23,729	101%	$ 244
Outside Services - Personnel	2,263	1,132	231	20%	(900)
Travel	1,114	557	294	53%	(263)
Buildings	0	0	41	0%	41
Equipment	2,025	1,012	703	69%	(309)
Outside Services - Other	121	61	70	115%	9
Other Expenses	832	416	48	11%	(368)
Total Office of Inspector General *	**$ 53,324**	**$ 26,662**	**$ 25,116**	**94%**	**$ (1,546)**
Total FDIC Operating Budget *	**$ 3,025,691**	**$ 1,456,991**	**$ 1,307,961**	**90%**	**$ (149,030)**

* Totals may not foot due to rounding.

Executive Summary of 2025 Budget and Expenditures by Division/Office Through June 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	$ 369,946	$ 348,474	94%	$ (21,472)
Information Technology	490,260	237,193	217,041	92%	(20,152)
Administration	409,212	204,856	185,883	91%	(18,973)
Depositor & Consumer Protection	253,639	124,491	125,552	101%	1,061
Legal	255,127	125,877	98,852	79%	(27,025)
Resolutions & Receiverships	268,543	133,577	112,948	85%	(20,629)
Complex Institution Supervision & Resolution	128,498	62,597	57,278	92%	(5,319)
Insurance & Research	73,821	36,080	32,946	91%	(3,134)
Inspector General	53,324	26,662	25,116	94%	(1,546)
Chief Information Security Officer	64,929	31,725	27,155	86%	(4,570)
Executive Support [1]	78,503	38,736	23,955	62%	(14,781)
Finance	47,946	23,838	22,650	95%	(1,188)
Corporate University - Corporate	36,509	17,747	16,382	92%	(1,365)
Executive Offices [2]	27,812	17,166	8,477	49%	(8,689)
Risk Management & Internal Control	12,646	6,500	5,252	81%	(1,248)
Corporate Unassigned[3]	71,775	0	0	0%	0
Total FDIC Operating Budget [4]	**$3,025,691**	**$1,456,991**	**$ 1,307,961**	**90%**	**$ (149,030)**

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 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, Deputy to the Chairman for Consumer Protection and Innovation, 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.