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Program) Fiscal Years 2013 and 2012 Financial Statements, which was

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Office of Financial Stability--Troubled Asset Relief Program:

Fiscal Year 2013:

Figure: 2012 Certificate of Excellence:

[Refer to PDF for image: snapshot of certificate]

AGA Certificate of Excellence in Accountability Reporting:

U.S. Department of the Treasury, Office of Financial Stability:

In recognition of your outstanding efforts in preparing the Agency

Financial Report and Summary of Performance and Financial Information

for the fiscal year ending September 30, 2012.

A Certificate of Excellence in Accountability Reporting is presented

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achieve the highest standards demonstrating accountability and

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[End of figure]

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Message From The Assistant Secretary For Financial Stability:

[Photograph of Timothy G. Massad]

December 5, 2013:

I am pleased to present the Office of Financial Stability's (OFS)

Agency Financial Report for the Fiscal Year 2013. This report

describes our financial and performance results for the fifth year

of the Troubled Asset Relief Program (TARP). Within this report you

will find the comparative fiscal years 2013 and 2012 financial

statements for TARP, the Government Accountability Office's (GAO)

audit opinion on these financial statements, a separate opinion from

the GAO on OFS's internal control over financial reporting, and the

results of the GAO's tests of OFS's compliance with selected

provisions of laws, regulations, contracts, and grant agreements

applicable to OFS.

The Emergency Economic Stabilization Act (EESA) of 2008 established

OFS within the Office of Domestic Finance at the Department of the

Treasury to implement TARP. With the nation in the midst of the worst

financial crisis since the Great Depression, TARP was created to

"restore the liquidity and stability of the financial system." It was an

extraordinary response to an extraordinary crisis.

Today, it is generally agreed that as a result of the forceful and

coordinated response by the government through TARP and many other

emergency programs, we helped avert what could have been a devastating

collapse of our financial system. Although we are still repairing the

damage from the crisis and many families still face challenges on a

daily basis, the financial system is much more stable and our economy

is growing, albeit not as fast as we would like. Credit is more

available than would otherwise be case for families, businesses, and

local governments, banks are better capitalized, and we are

implementing reforms to address the underlying causes of the crisis.

In addition, OFS has made significant progress towards winding down

TARP investments. As of September 30, 2013, OFS had collected 96.2

percent of the $421.6 billion in program funds that were disbursed

under TARP, as well as an additional $17.5 billion from Treasury's

equity in AIG. Here is where we stand concerning the four categories

of TARP investment programs:

\* Banking Programs: OFS has collected a total of $273.4 billion

(including $6.4 billion collected in fiscal year 2013) for all TARP

bank support programs through repayments, sales, dividends, interest,

and other income compared to $245.5 billion invested. As of September

30, 2013, $3.6 billion in banking program investments remained

outstanding, primarily in community banks, and OFS is continuing to

wind-down these investments through repurchases by banks, asset sales,

and restructurings.

\* Credit Market Programs. OFS substantially completed the wind-down of

all of the TARP credit market programs, including investments made

under the Public-Private Investment Program (PPIP), Term Asset-Backed

Securities Loan Facility (TALF) program, and SBA 7(a) Securities

Purchase Program. As of the end of fiscal year 2013, OFS collected

$23.5 billion as compared to $19.1 billion of disbursements under

these programs.

\* Auto Industry Financing Program. As of September, 302013, OFS has

collected $53.3 billion through sales, repayments, dividends,

interest, and other income, compared to the $79.7 billion in funds

that were disbursed under the Automotive Industry Financing Program

(AIFP). Chrysler exited the program in July 2011 and the wind-down of

General Motors (GM) is anticipated to be completed by December 31,

2013. In November 2013, OFS received additional repayment of $5.9

billion from Ally Financial Inc. (Ally) under an agreement announced

in August. As a result, OFS has recovered over 70% of the investment

in Ally Financial Inc. (Ally) through repayments, dividends, and

proceeds in excess of costs. OFS is actively seeking to wind-down the

remaining investment in Ally.

\* American International Group. In fiscal year 2013, OFS exited all

remaining holdings in American International Group, Inc. (AIG). During

the financial crisis, the peak amount of assistance provided by OFS

and the Federal Reserve to prevent the collapse of AIG totaled $182.3

billion, a part of which was later canceled. As a result of the

combined efforts of AIG, Treasury, and the Federal Reserve, $22.7

billion in excess of the total of funds disbursed to AIG has been

recovered through sales and other income. Of the $67.8 billion total

disbursed to AIG by OFS, TARP's cumulative net proceeds from

repayments, sales, dividends, interest, and other income related to

AIG assets totaled $55.3 billion. As Treasury's non-TARP AIG shared

generated proceeds in excess of cost of $17.5 billion, total net

proceeds in excess of cost were $5.0 billion for Treasury as a whole.

While OFS carefully winds down the investment programs under TARP, we

are continuing to implement the TARP Housing Programs to help millions

of struggling homeowners avoid foreclosure, primarily through mortgage

modifications and other forms of assistance. These programs (including

government sponsored enterprise (GSE and non-GSE) have also set new

mortgage modification and consumer protection standards which have

helped to transform the mortgage servicing industry and thereby help

millions more families. On May 30, 2013, the Obama Administration

extended the application deadline for the Making Home Affordable

Program through December 2015 in order to provide struggling

homeowners additional time to access sustainable mortgage relief.

The financial and performance data contained in this report are

reliable and complete. For the fifth consecutive year, OFS has earned

unmodified opinions on its financial statements and its internal

control over financial reporting from the GAO. In 2013, OFS was also

awarded its fourth consecutive Certificate of Excellence in

Accountability Reporting by the Association of Government Accountants.

This marks my last financial report, as I will step down as Assistant

Secretary for Financial Stability this month. Since the spring of

2009, it has been an honor and privilege to serve my country by

helping to respond to this terrible financial crisis. TARP did what it

was supposed to do--it helped to stabilize our financial system and it

did so faster, better and cheaper than most people expected. We should

never forget the true costs of the financial crisis in human suffering

and economic damage--the jobs lost, the foreclosed homes, the

college educations that could not be financed, and the retirements

that must be postponed. But without the government's forceful

response, the damage would have been far worse and the costs to repair

that damage would have been far higher.

Sincerely,

Signed by:

Timothy G. Massad:

Assistant Secretary for Financial Stability:

[End of section]

Executive Summary:

The U.S. Department of Treasury’s (Treasury), Office of Financial

Stability (OFS) presents to the reader the fiscal year 2013 Agency

Financial Report (AFR) for the Troubled Asset Relief Program (TARP).

The enclosed Management’s Discussion and Analysis (MD&A) is required

supplementary information to the financial statements and provides a

high level overview of OFS, which is the office within the Treasury

that was established to implement TARP, pursuant to the Emergency

Economic Stabilization Act of 2008 (EESA).

Five years ago, the U.S. financial system faced challenges on a scale

not seen since the Great Depression. The banks and financial markets

that American families and businesses rely on to meet their everyday

financing needs were on the brink of failure. By October 2008, major

financial institutions were threatened and many of them tried to shore

up their balance sheets by shedding risky assets and hoarding cash.

People were rapidly losing trust and confidence in the stability of

America’s financial system and the capacity of the government to

contain the damage. Without immediate and forceful action by the

federal government, the U.S. economy faced the risk of falling into a

second Great Depression.

It was out of these extraordinary circumstances in the fall of 2008

that TARP was created as a central part of a series of emergency

measures by the federal government. Collectively, TARP and the federal

government’s other emergency programs helped to prevent the collapse

of our financial system. As a result of the careful design,

implementation, and coordination of these programs, the federal

government was able to limit the broader financial and economic damage

caused by the crisis. Although we are still recovering, these measures

were critical to restarting economic growth, and in restoring access

to capital and credit.

Since late 2010 when OFS’s authority to make new commitments under

TARP expired, OFS has focused on carefully winding down TARP’s

investment programs, recovering the OFS’s outstanding investments, and

continuing to implement the various housing programs under TARP to

help struggling homeowners avoid foreclosure. While the total

disbursed for TARP programs was $421.6 billion, OFS has collected

$405.5 billion (or $423.0 billion if including the $17.5 billion in

proceeds from the additional Treasury AIG shares discussed on page 14)

through repayments, sales, dividends, interest, and other income. As

of September 30, 2013, only $23.5 billion in investments remain

outstanding.

The MD&A highlights the establishment of OFS, its background, mission,

organizational structure, and programs. OFS administers programs that

fall into two major categories: Investment and Housing. In total, OFS

has responsibility for 12 individual programs. Most of these programs

have either been closed or are in the process of winding down.

Each year, OFS reports on our Operational Goals, which were developed

by management to achieve our strategic goal of ensuring the overall

stability and liquidity of the financial system, preventing avoidable

foreclosures, and by preserving homeownership. The first operational

goal for OFS is to complete the wind-down of the TARP investment

programs. OFS is continuing to implement the three-pronged exit

strategy, announced in May 2012, for the Capital Purchase Program

(CPP). That strategy includes waiting for those banks that are able to

repay in full in the near future to do so, restructuring OFS’s

investments in limited cases, and selling investments through auctions

in cases where the bank is not expected to repay in the near future.

As of September 30, 2013, both the Targeted Investment Program (TIP)

and the Asset Guarantee Program (AGP) were closed and have generated

positive returns on behalf of taxpayers.

As of September 30, 2013, OFS has substantially completed the wind-

down of the three TARP credit market programs which resulted in a

positive return on behalf of taxpayers. OFS has recovered all debt and

equity investments made in the Public-Private Investment Program

(PPIP). OFS’s loan commitment made through the Term Asset-Backed

Securities Loan Facility (TALF) was fully repaid or extinguished

during fiscal year 2013. The Small Business Administration 7(a)

Securities Purchase Program (SBA 7(a)) was successfully closed during

fiscal year 2012 with the processing of the fifth and final

disposition of securities.

OFS continues to wind-down the Automotive Industry Financing Program

(AIFP) with the sale of 399 million shares of GM common stock during

fiscal year 2013. These sales were conducted according to the plan

announced in December 2012 to sell OFS’s remaining shares in GM within

the next 12-15 months, subject to market conditions. In November 2013,

per an August 2013 agreement, OFS collected a total of $5.9 billion

from Ally, as it repurchased all of its MCP stock from OFS and paid

the agency to eliminate certain rights under the original agreement.

OFS is actively seeking to wind-down the remaining investment.

OFS exited its remaining holdings in the American International Group,

Inc. (AIG) Investment Program in December 2012 and sold remaining

warrants in March 2013. As of September 30, 2013, OFS does not hold

any residual interest in AIG.

OFS’s second operational goal is to continue helping struggling

homeowners avoid foreclosure. The Making Home Affordable Program (MHA)

is helping homeowners and assisting in stabilizing the housing market.

On May 30, 2013, the Administration extended the application deadline

for MHA programs through December 31, 2015, to provide struggling

homeowners additional time to access sustainable mortgage relief, and

to align the end date with other key assistance programs. The largest

program within MHA is the Home Affordable Modification Program (HAMP).

Under this program more than 1.4 million homeowners have had their

mortgages modified permanently. HAMP has also set new standards and

changed practices throughout the mortgage servicing industry in

fundamental ways. In addition, the Hardest Hit Fund provides funding

to 18 states and the District of Columbia to provide assistance to

struggling homeowners through locally-tailored programs. All 19

programs are fully operational and have created extensive

infrastructures to operate these programs, including selecting and

training networks of housing counselors to assist with applications,

creating portals to aid homeowners in applying for assistance, and

hiring underwriters and other staff to review and approve applications.

The third operational goal of OFS is to minimize the cost of the TARP

programs to the taxpayer. OFS manages TARP investments to minimize

costs to taxpayers by carefully managing the timely exit of these

investments to reduce taxpayers’ exposure, returning TARP funds to

reduce the federal debt, and continuing to replace government

assistance with private capital in the financial system. OFS has taken

a number of steps during fiscal years 2012 and 2013 to dispose of its

outstanding investments in a manner that balances the need to exit

these investments as quickly as practicable with maximizing returns on

behalf of taxpayers. OFS also takes steps to ensure that TARP

recipients comply with any TARP-related statutory or contractual

obligations such as executive compensation requirements and

restrictions on dividend payments.

OFS’s final goal is to continue to operate with the highest standards

of transparency, accountability, and integrity. OFS posts a variety of

reports online that provide the reader with regular and comprehensive

information about how TARP funds are being spent, who has received

them and on what terms, and how much has been collected to date. As

part of this effort, in June 2013, OFS enhanced and expanded the

existing TARP Tracker on its website to enable users to view the flow

of funds for a specific time period or over the lifetime of a TARP

program. OFS also publishes the audited annual report. In addition,

OFS continues to maintain productive working relationships with three

oversight bodies charged with auditing and reviewing the TARP

activities.

In addition to discussing program performance, the MD&A also addresses

OFS’s financial performance in the Fiscal Year 2013 and 2012 Financial

Summary and Cumulative Net Income section. OFS provides an overview of

its financial data and explains its fiscal year 2013 net income from

operations and related loans, equity investments and other credit

programs.

Finally, the Systems, Controls, and Legal Compliance section of the

MD&A provides a discussion of the actions OFS has taken to address its

management control responsibilities. This section includes OFS’s

assurance related to the Federal Manager’s Financial Integrity Act,

the determination of its compliance with both the Federal Financial

Management Improvement Act and the Improper Payment Elimination and

Recovery Act.

[End of section]

Part 1: Management’s Discussion And Analysis:

Background, OFS Organization Structure and Programs:

Background:

In response to the worst financial crisis since the Great Depression,

the Troubled Asset Relief Program (TARP) was created pursuant to the

Emergency Economic Stabilization Act (EESA) on October 3, 2008. To

carry out the authorities given to the Secretary of the Treasury to

implement TARP, the U.S. Department of the Treasury (Treasury)

established the Office of Financial Stability (OFS) within the Office

of Domestic Finance. EESA authorized the Secretary of the Treasury to

establish TARP to "purchase, and to make and fund commitments to

purchase, troubled assets from any financial institution, on terms and

conditions as are determined by the Secretary" to restore the liquidity

and stability of the financial system. The terms "troubled assets" and

"financial institution" are defined within EESA, which can be found

at: [hyperlink,

http://www.gpo.gov/fdsys/pkg/BILLS-110hr1424enr/pdf/BILLS-

110hr1424enr.pdf]. In addition, Section 109 of EESA provides authority

to assist homeowners.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the

Dodd-Frank Act), signed into law in July 2010, reduced total TARP

purchase authority from $700 billion to a cumulative $475 billion.

OFS's authority to make new commitments under TARP expired on October

3, 2010. OFS is carefully managing the disposition of TARP financial

assets to recover OFS's outstanding investments while continuing to

implement initiatives to help struggling homeowners avoid foreclosure.

OFS Organization Structure:

OFS is headed by the Assistant Secretary for Financial Stability.

Reporting to the Assistant Secretary are six major organizations the:

Office of the Chief Investment Officer, Office of Finance and

Operations, Office of the Chief of Home Ownership Preservation, Office

of Financial Agents, Office of the Chief Reporting Officer, and Office

of the Chief Compliance Officer. A Chief Counsel's Office also reports

to the Assistant Secretary and to the Office of the General Counsel in

the Department of the Treasury.

OFS is not envisioned as a permanent organization, so to the maximum

extent possible when economically efficient and appropriate, OFS

utilizes private sector expertise in support of the execution and

liquidation of TARP programs. These firms assist in the areas of

custodial services, accounting and internal controls, administrative

support, legal advisory, financial advisory, and information

technology.

The OFS organization chart follows:

Top level:

Assistant Secretary for Financial Stability:

\* Chief Counsel.

Second level, reporting to Secretary for Financial Stability:

\* Office of Finance and Operations;

\* Office of the Chief of Home Ownership Preservation;

\* Office of Financial Agents;

\* Office of the Chief Reporting Officer;

\* Office of the Chief Compliance Officer.

[End of figure]

OFS Programs:

Bank Support Programs (CPP, TIP, AGP, CDCI, CAP, SCAP):

By late September 2008, several major financial institutions had

already failed. Many others were at risk of failure and people were

rapidly losing confidence in the nation's financial system as a whole.

Therefore beginning in early October 2008, OFS launched five programs

to help stabilize the nation's banking institutions. A total of $245.5

billion was invested through TARP bank support programs.

Capital Purchase Program:

The Capital Purchase Program (CPP) was launched in October 2008 to help

stabilize the financial system by providing capital to viable financial

institutions of all sizes throughout the nation. Without a viable

banking system, lending to businesses and consumers could have frozen

and the financial crisis might have spiraled further out of control.

Based on market indicators at the time, it was clear that financial

institutions needed additional capital to absorb losses and restart the

flow of credit to businesses and consumers to avert a potential

collapse of the system.

With the additional capital, CPP participants were better equipped to

undertake new lending and continue to provide other services to

consumers and businesses, even while absorbing write-downs and charge-

offs on loans that were not performing. OFS received preferred stock or

debt securities in exchange for the CPP investments. Most financial

institutions participating in the CPP pay OFS a five percent dividend

on preferred shares for the first five years and a nine percent rate

thereafter. In addition, OFS received warrants to purchase common

shares or other securities from the banks at the time of the CPP

investment. The purpose of the additional securities was to enable OFS

to receive additional returns on its investments as banks recover.OFS

has focused on winding down the CPP according to the exit strategy

announced on May 3, 2012. That strategy includes a combination of

repayments in the case of banks which are expected to repay in the near

future, selling OFS's positions in banks that are unlikely to repay in

the near-term through auctions, and restructuring some investments,

typically in connection with a merger or other plan of the bank to

infuse capital, in a way that maximizes timely OFS collections and

helps avoid bank failures.

Targeted Investment Program:

OFS established the Targeted Investment Program (TIP) in December 2008.

The program gave OFS the necessary flexibility to provide funding to

financial institutions that were critical to the functioning of the

U.S. financial system to prevent a loss of confidence in these critical

institutions. This could have resulted in substantial disruption to

financial markets, threatened the financial strength of similarly

situated financial institutions and undermined the overall economy.

OFS invested a total of $40.0 billion in two institutions - Bank of

America (BofA) and Citigroup - under the TIP. These investments were

made in addition to those that the banks received under the CPP.

Similar to the CPP, OFS invested in preferred stock and received

warrants to purchase common stock in each institution.

The TIP investments provided for annual dividends of eight percent,

which was higher than the initial CPP rate. The program also imposed

greater reporting requirements and more onerous terms on the companies

than under the CPP terms, including restricting common stock dividends

to $0.01 per share per quarter, restrictions on executive compensation,

restrictions on corporate expenses, and other measures.

Asset Guarantee Program:

Under the Asset Guarantee Program (AGP), TARP commitments were used to

support two institutions - BofA and Citigroup. They were selected

because of the large number of illiquid assets that both of them held

at the time of the financial crisis and the severe impact that their

failure would have had on the broader economy. In January 2009, OFS,

the Federal Reserve, and the Federal Deposit Insurance Corporation

(FDIC) agreed in principle to share potential losses on a $118 billion

pool of financial instruments owned by BofA. However, in May 2009,

before the transaction was finalized, BofA decided to terminate

negotiations, and in September 2009, the government and BofA entered

into an agreement under which the bank agreed to pay a termination fee

of $425 million to the government, $276 million of which went to OFS.

In January 2009, OFS, the Federal Reserve, and the FDIC similarly

agreed to share potential losses on a $301 billion pool of Citigroup's

covered assets. The arrangement was finalized and, as a premium for

the guarantee, OFS and the FDIC received $7.0 billion of Citigroup

preferred stock of which $2.2 billion was OFS's portion. OFS also

received warrants to purchase 66.5 million shares of common stock.

Community Development Capital Initiative:

OFS created the Community Development Capital Initiative (CDCI) on

February 3, 2010, to help viable certified Community Development

Financial Institutions (CDFIs) and the communities they serve cope with

effects of the financial crisis. It was put in place to help keep day-

to-day financing available to families and businesses in hard-hit

communities that are underserved by traditional banks.

Since many CDFIs don't have the same access to capital markets as

larger banks, the CDCI was designed with more generous terms than the

CPP. Under this program, CDFI banks, thrifts, and credit unions

received investments aggregating $570 million in capital with an

initial dividend or interest rate of two percent, compared to the five

percent rate offered under the CPP. To encourage repayment while

recognizing the unique circumstances facing CDFIs, the dividend rate

increases to nine percent after eight years, compared to after five

years under the CPP. CDFIs that participated in the CPP and were in

good standing were allowed to exchange their CPP securities for

securities under the more favorable terms of this program.

Capital Assistance Program (CAP) and the Supervisory Capital Assessment

Program (SCAP):

In 2009, Treasury worked with federal banking regulators to develop a

comprehensive "stress test" known as the Supervisory Capital Assessment

Program (SCAP). The purpose of the SCAP was to determine the health of

the nation's 19 largest bank holding companies with unprecedented

transparency and help restore confidence in the banking system. In

conjunction with the SCAP, Treasury announced that it would provide

capital under TARP through the Capital Assistance Program (CAP) to

those institutions that needed additional capital but were unable to

raise it through private sources. The CAP closed on November 9, 2009,

without making any investments.

For additional information on the bank support programs please visit

the OFS website at: [hyperlink,

http://www.treasury.gov/initiatives/financial-stability/TARP-

Programs/bank-investment-programs/Pages/default.aspx].

Credit Market Programs (PPIP, TALF, SBA 7(a)):

As the financial crisis reached its peak, banks were not making new

loans to businesses, or even to one another. As a result, many

businesses could not get loans for new investments, municipalities and

state governments could not issue bonds at reasonable rates, and

families could not get credit. The securitization markets--which

provide financing for credit cards, student loans, auto loans, and

other consumer loans as well as small business loans--had basically

stopped functioning. OFS launched three programs in 2009 to help

unfreeze these markets and bring down the cost of borrowing for

families and businesses: the Public-Private Investment Program (PPIP),

the Term Asset-Backed Securities Loan Facility (TALF), and the SBA 7(a)

Securities Purchase Program. Although the specific goals and

implementation methods of each program differed, the overall goal of

these three programs was the same--to restart the flow of credit to

meet the critical needs of small businesses and consumers.

Public-Private Investment Program:

On March 23, 2009, OFS launched the Legacy Securities Public-Private

Investment Program (PPIP) to help restart the market for non-agency

residential mortgage-backed securities (RMBS) and commercial mortgage-

backed securities (CMBS), thereby allowing banks and other financial

institutions to re-deploy capital and extend new credit to households

and businesses.

The purpose of PPIP was to draw new private capital into the market for

legacy RMBS and CMBS by providing financing on attractive terms as well

as a matching equity investment from OFS. Using up to $22.1 billion of

TARP funds alongside equity capital raised from private investors, PPIP

was designed to generate significant purchasing power and demand for

troubled RMBS and CMBS. This in turn would help to increase the amount

of credit available to consumers and small businesses.

Term Asset-Backed Securities Loan Facility:

The Term Asset-Backed Securities Loan Facility (TALF) is a joint OFS-

Federal Reserve program that was designed to restart the asset-backed

securities (ABS) and commercial mortgage-backed securities (CMBS)

markets that had ground to a virtual standstill during the early months

of the financial crisis.

Under the TALF, the Federal Reserve Bank of New York (FRBNY) provided

non-recourse funding to any qualified borrower that owned eligible

collateral. On fixed days each month, borrowers were allowed to request

three-year, or in certain cases, five-year TALF loans. If the borrower

did not repay the loan, the FRBNY would enforce its rights to the

collateral and sell it to TALF, LLC-a special purpose vehicle (SPV)

established specifically to purchase and manage these assets. OFS

initially committed $20.0 billion in subordinated loans to the SPV but

did not directly lend to TALF borrowers.

Small Business Administration 7(a) Securities Purchase Program:

OFS launched the Small Business Administration (SBA) 7(a) Securities

Purchase Program to help facilitate the recovery of the secondary

market for small business loans, and thus help free up credit for small

businesses. Under this program, OFS purchased securities comprised of

the guaranteed portion of SBA 7(a) loans, which finance a wide range of

small business needs, including working capital, machinery, equipment,

furniture, and fixtures. OFS invested approximately $367 million in 31

SBA 7(a) securities between March and September 2010. These securities

were comprised of 1,001 loans from 17 different industries, including

retail, food services, manufacturing, scientific and technical

services, healthcare, and educational services. Through its purchases,

OFS injected liquidity into this market to help restart the flow of

credit, enabling pool assemblers to purchase additional small business

loans from loan originators.

For additional information on the credit market programs, please visit

the OFS website at: [hyperlink,

http://www.treasury.gov/initiatives/financial-stability/TARP-

Programs/credit-market-programs/Pages/default.aspx].

Automotive Industry Financing Program (AIFP):

The Automotive Industry Financing Program (AIFP) was launched in

December 2008 to help prevent the disorderly liquidations of General

Motors (GM) and Chrysler, and thus significant disruption of the U.S.

auto industry. The potential for such a disruption at that time posed a

significant risk to financial market stability and threatened the

overall economy. It could have also had disastrous consequences for

other auto manufacturers and the many suppliers and other businesses

that depended on the automotive industry. This could have led to a loss

of as many as one million American jobs. Recognizing that both GM and

Chrysler were on the verge of collapse, OFS extended loans to both

companies and their financing entities.

In 2009, OFS agreed to provide additional funds conditioned on each

company and its stakeholders participating in a fundamental

restructuring. Sacrifices were made by unions, dealers, creditors and

other stakeholders, and the restructurings were achieved through

bankruptcy court proceedings in record time. In total OFS disbursed

$79.7 billion in loans and equity investments to GM, Chrysler, and

General Motors Acceptance Corporation (now known as Ally Financial). As

a result, General Motors Company (New GM), Chrysler Group LLC (New

Chrysler), and Ally are more competitive and viable companies,

supporting American jobs and the economy. Operating results have

improved, the industry added jobs, and TARP investments are being

repaid.

For additional information on the AIFP, please visit the OFS website

at: [hyperlink, http://www.treasury.gov/initiatives/financial-

stability/TARP-Programs/automotive-programs/Pages/default.aspx].

American International Group, Inc. (AIG) Investment Program:

On September 15, 2008, Lehman Brothers filed for bankruptcy. This

triggered the start of a run on money market funds generally. The day

after that, AIG - one of the largest and most complex financial firms

in the world - was on the verge of failure. Confidence was already

fragile in the financial system as a whole and firms were trying to

shore up their balance sheets by selling risky assets, reducing

exposure to other financial institutions, and hoarding cash. At the

time, AIG was one of the most complex financial firms in the world

providing credit for other financial products. When the financial

crisis hit, AIG had hundreds of billions of dollars in commitments

without the capital and liquid assets to back them up. Millions of

people depended on AIG for their life savings and it had a huge

presence in many critical financial markets, including municipal bonds.

Therefore, with AIG facing potentially fatal liquidity problems and

with the crisis threatening to intensify and spread more broadly

throughout the economy, OFS and the Federal Reserve provided assistance

to AIG. This assistance was provided because the consequences of a

company of AIG's size and scope failing at that time, in those

circumstances, would have had far-reaching and catastrophic effects for

the economy and for American families and businesses.

During this time, the Federal Reserve and OFS took a series of steps to

prevent AIG's disorderly failure and mitigate the systemic risks. The

initial assistance to AIG was provided by the FRBNY before the passage

of EESA and the creation of TARP. After EESA became law, OFS and the

FRBNY continued to work together to address the challenges posed by

AIG. In 2008 and 2009, OFS funds were used to provide further support

to AIG. In fiscal year 2011, OFS, the FRBNY, the trustees of the AIG

Credit Facility Trust (the Trust)[Footnote 1] and AIG completed a

restructuring of the assistance provided by OFS and the FRBNY. A series

of integrated transactions and corporate actions were executed to

accelerate the repayment of U.S. taxpayer funds and to promote AIG's

transition from a majority government owned and supported entity to a

financially sound and independent entity. Following the restructuring,

OFS's total investment in AIG was $67.8 billion.

For additional information on the AIG Investment Program, please visit

the Office of Financial Stability website at: [hyperlink,

http://www.treasury.gov/initiatives/financial-stability/TARP-

Programs/aig/Pages/default.aspx].

Housing Programs:

OFS established several housing programs under TARP to address the

historic housing crisis and help struggling homeowners avoid

foreclosure wherever possible. These programs have helped homeowners

avoid foreclosure and introduced important new reforms for the mortgage

servicing industry to help make mortgage modifications become more

sustainable and affordable.

Making Home Affordable (MHA):

In early 2009, OFS launched the Making Home Affordable® Program (MHA)

to help struggling homeowners avoid foreclosure and stabilize the

housing market. MHA is only one part of the Administration's broader

efforts to strengthen the housing market. Since its inception, MHA has

helped homeowners avoid foreclosure by providing a variety of solutions

to modify or refinance their mortgages, get temporary forbearance if

they are unemployed, or transition out of homeownership through a short

sale or a deed-in-lieu of foreclosure. OFS has committed $29.9 billion

under the MHA program.

MHA is aimed at helping homeowners who are experiencing financial

hardships to remain in their homes until their financial position

improves or they relocate to a more sustainable living situation. In

most cases, this means making their monthly mortgage payments more

affordable and sustaining those new mortgage terms over time so

homeowners can avoid the pain and substantial cost of foreclosure. At

the same time, MHA protects the interests of taxpayers by disbursing

funds only when transactions are completed and only as long as those

contracts remain in place. Therefore, funds will be disbursed over many

years.

The cornerstone of MHA is the Home Affordable Modification Program

(HAMP), which provides eligible homeowners the opportunity to reduce

their monthly mortgage payments to more affordable levels. OFS also

introduced additional programs under MHA to help homeowners who are

unemployed, "underwater" on their loan (those who owe more on their

home than it is currently worth), or are struggling with a second lien.

It also includes options for homeowners who would like to transition to

a more affordable living situation through a short sale or deed-in-lieu

of foreclosure. In early 2012, the Administration announced important

enhancements to MHA that expanded the pool of eligible borrowers.

Extending the reach of HAMP will assist a broader pool of struggling

homeowners, offer support for tenants at risk of displacement due to

foreclosure, and provide more robust relief to those who participate.

On May 30, 2013, the Administration extended the application deadline

for MHA programs to December 31, 2015. Extending the program for two

years will benefit many additional families while maintaining clear

standards and accountability for the mortgage industry. Taken together,

these enhancements will help the housing market recover faster from an

unprecedented crisis.

In addition to HAMP, MHA includes several additional programs to help

homeowners refinance or address specific types of mortgages, in

conjunction with the Federal Housing Administration (FHA), the United

States Department of Agriculture (USDA), and the Department of Veterans

Affairs (VA).

Housing Finance Agency (HFA) Innovation Fund for the Hardest Hit

Housing Markets (Hardest Hit Fund):

The Administration established the Hardest Hit Fund in February 2010 to

provide targeted aid to homeowners in states hit hardest by the

economic and housing market downturn. As part of the Administration's

overall strategy for restoring stability to housing markets, the

Hardest Hit Fund provides funding for state Housing Finance Agencies

(HFAs) to develop locally-tailored foreclosure prevention solutions in

areas that have been hardest hit by home price declines and high

unemployment. From its initial announcement, this program evolved from

a $1.5 billion initiative focused on HFAs in the five states with the

steepest home price declines and the vast majority of underwater

homeowners to a broader-based $7.6 billion initiative encompassing 18

states and the District of Columbia (DC).

Hardest Hit Fund programs vary state to state, but may include such

programs as mortgage payment assistance for unemployed or underemployed

homeowners, principal reduction to help homeowners get into more

affordable mortgages, funding to eliminate homeowners' second lien

loans, funding for blight elimination activities, and help for

homeowners who are transitioning out of their homes and into more

affordable living situations.

For additional information on the housing programs, please visit the

OFS website at: [hyperlink,

http://www.treasury.gov/initiatives/financial-stability/TARP-

Programs/housing/Pages/default.aspx].

[End of section]

OFS Operational Goals:

OFS's Operational Goals were developed by management to achieve our

strategic goal to ensure the overall stability and liquidity of the

financial system, prevent avoidable foreclosures, and preserve

homeownership. The following discussion of OFS operational goals

focuses largely on the significant events that occurred during fiscal

years 2013 and 2012. A more comprehensive discussion of each program,

including its development and prior years' performance, can be found in

the TARP Four Year Retrospective which is available at: [hyperlink,

http://www.treasury.gov/initiatives/financial-

stability/reports/Pages/default.aspx].

Operational Goal One: Complete the Wind-down of the Investment

Programs:

Banking Support Programs:

OFS disbursed a total of $245.5 billion under the various TARP bank

programs. As of September 30, 2013, OFS has collected more than $273.4

billion through repayments, dividends, interest, warrant sales, and

other income, representing $27.9 billion in excess of disbursements. No

more taxpayer money is being invested in banks under TARP. The final

investment under the CPP - the largest bank program under TARP - was

made in December 2009. OFS is focused on recovering TARP funds in a

manner that continues to promote the nation's financial stability while

maximizing returns on behalf of the taxpayers.

Capital Purchase Program:

In fiscal year 2013, OFS made substantial progress winding down the CPP

according to the three-pronged exit strategy announced in May 2012 and

described in further detail below. From inception of the program

through September 30, 2013, OFS has received $197.9 billion in CPP

repayments/sales, along with $12.0 billion in dividends and interest,

and $14.7 billion of proceeds in excess of cost totaling $224.7

billion. As of September 30, 2013, $3.1 billion in CPP gross

investments remained outstanding, including 24 institutions that are in

bankruptcy or receivership, representing an aggregate investment of

$771 million that is currently not collectible.

Under this program, OFS provided capital to 707 financial institutions

in 48 states, Puerto Rico, and DC, including more than 450 small and

community banks and 22 CDFIs. The largest investment was $25.0 billion

and the smallest was $301,000.

OFS received preferred stock or debt in each bank in which it made an

investment, as well as warrants. Under the terms of the CPP,

participating financial institutions may repay the funds they received

at any time, so long as they have the approval of their regulators. OFS

cannot demand repayment of CPP preferred stock, nor is OFS's approval

required for financial institutions to repay.

OFS announced a three-pronged exit strategy for the program on May 3,

2012. That strategy includes waiting for those banks that are capable

of repaying in the near future to repay at par, selling banking

investments to private investors through auctions in cases where the

bank is not expected to be able to repay in the near future, and, in a

limited number of cases, restructuring investments. Throughout fiscal

year 2013, OFS continued to implement that exit strategy by

periodically selling preferred stock and subordinated debt in CPP

participants through both public and private auctions. OFS held 14

auctions with combined proceeds of $1.5 billion during fiscal year 2013

compared to 6 auctions with $1.3 billion in proceeds in fiscal year

2012. During fiscal year 2013 and 2012, 173 and 96 investments were

repaid or sold for a total of $4.8 billion and $8.2 billion,

respectively.

Another component of OFS's exit strategy for the CPP is to restructure

certain investments in limited cases when the terms result in the best

return for taxpayers. This is typically done in connection with a

merger or the bank's plan to raise new capital and is generally

proposed by the bank. OFS agrees to receive cash (sometimes at a

discount to the original par value of the investment) or other

securities, which can be more easily sold.

Under the CPP, OFS has also received warrants to purchase common shares

or other securities from the banks. OFS has followed a policy of

disposing of warrants as soon as practicable if no agreement is reached

on a repurchase. As of September 30, 2013, OFS has collected $7.9

billion in net proceeds from the sale of warrants since inception. OFS

periodically releases a Warrant Disposition Report that provides detail

about its sale of warrants. These reports can be found at: [hyperlink,

http://www.treasury.gov/initiatives/financial-

stability/reports/Pages/Warrant-Disposition-Reports.aspx].

Additional information on the CPP, including details on the programs

purpose, overview, and status can be found at the following website:

[hyperlink, http://www.treasury.gov/initiatives/financial-

stability/TARP-Programs/bank-investment-

programs/cap/Pages/default.aspx].

Targeted Investment Program:

OFS completed the wind-down of the TIP in December 2009 when both BofA

and Citigroup repaid their TIP investments in full. This resulted in

net proceeds of $4.4 billion in excess of disbursements. OFS received

$3.0 billion in total TIP dividends during the life of the program. OFS

also received warrants from each institution which provided additional

returns on the investments. OFS sold the BofA warrants in fiscal year

2010 for $1.2 billion and the Citigroup warrant in fiscal year 2011 for

$190 million. Additional information on TIP, including details on the

programs purpose, overview, and status can be found at the following

website: [hyperlink, http://www.treasury.gov/initiatives/financial-

stability/TARP-Programs/bank-investment-

programs/tip/Pages/default.aspx].

Asset Guarantee Program:

As of September 30, 2013, OFS has fully wound down the AGP and received

more than $4.1 billion in proceeds from the AGP without disbursing any

claim payments. Additional information on the AGP, including details on

the programs purpose, overview, and status can be found at the

following website: [hyperlink,

http://www.treasury.gov/initiatives/financial-stability/TARP-

Programs/bank-investment-programs/agp/Pages/default.aspx].

Community Development Capital Initiative:

Unlike the CPP, OFS did not take substantial actions during fiscal year

2013 to wind-down the CDCI because of the unique circumstances facing

participating institutions. In particular, many CDCI participants lack

the same access to capital markets that CPP institutions have, making

it more challenging for them to repay their investments.

OFS completed funding through this program in September 2010 with a

total investment amount of $570 million for 84 institutions. Of this

amount, $363 million (nearly $356 million from principal and nearly $8

million from warrants) represented exchanges by 28 CPP institutions

converting into the CDCI. During fiscal years 2013 and 2012, OFS

collected a total of $97 million and $14 million, respectively, in

repayments, dividends and interest from institutions in the CDCI

program. As of September 30, 2013, $475 million in CDCI investments

remained outstanding.

OFS will continue to closely monitor the performance of the CDCI and

make decisions regarding the program's wind-down at a later date.

Additional information on CDCI, including details on the program's

purpose, overview, and status can be found at the following website:

[hyperlink, http://www.treasury.gov/initiatives/financial-

stability/TARP-Programs/bank-investment-

programs/cdci/Pages/default.aspx].

Credit Market Programs:

OFS has now substantially completed the wind-down of all three credit

market programs that were launched under TARP. A total of $19.1 billion

was disbursed through these programs and a total of $23.5 billion has

been collected through September 30, 2013.

Public Private Investment Program:

During fiscal year 2013, OFS completed the wind-down of the PPIP.

During fiscal year 2013 and 2012, 6 and 2 PPIFs wound down, repaying

$5.7 billion and $5.6 billion in debt and $4.1 billion and $1.7 billion

in equity capital invested by OFS, respectively. In addition, during

fiscal years 2013 and 2012, OFS received $271 million and $1.4 billion

in interest and investment income and $1.2 billion and $223 million in

net proceeds in excess of costs, respectively from these PPIFs. The

final outstanding equity repayment was made in June 2013. As of

September 30, 2013, no debt or equity investments are outstanding.

The latest PPIP Quarterly Report includes a summary of PPIP capital

activity, portfolio holdings and current pricing, and program and fund

performance through September 30, 2013. OFS has published 16 quarterly

reports on PPIP to date and expects to provide additional information

as the program completes its wind-down. These reports can be found at

the following website: [hyperlink,

http://www.treasury.gov/initiatives/financial-

stability/reports/Pages/Public-Private-Investment-Program-Quarterly-

Report.aspx].

Term Asset-Backed Securities Loan Facility:

OFS originally committed to provide credit protection of up to $20.0

billion in the form of a subordinated loan commitment to TALF, LLC to

support up to $200.0 billion of lending by the FRBNY. OFS's commitment

was later reduced to $4.3 billion in July 2010 after the program closed

to new lending. In June 2012, the Federal Reserve Board and OFS agreed

that it was appropriate to further reduce the credit protection OFS

provides the TALF, LLC to $1.4 billion from $4.3 billion as the

underlying TALF loan portfolio decreased through scheduled and

voluntary payments. During 2013 this amount was further reduced to $100

million - the initial loan amount disbursed to fund the TALF, LLC.

During fiscal year 2013, OFS's original disbursed investment through

the program was fully repaid with interest. As of September 30, 2013,

the balance of outstanding TALF loans provided by FRBNY had declined to

$101 million from $1.5 billion on September 30, 2012, due to scheduled

and voluntary prepayments by borrowers. All loans that have not been

repaid-in-full are current in their payments of principal and interest

and are fully collateralized by the residual balance held by the TALF,

LLC. As of September 30, 2013, accumulated income earned from

investments in TALF, LLC totaled $583 million, all of which occurred

during fiscal year 2013.

Additional information on TALF, including details on the programs

purpose, overview, and status can be found at the following website:

[hyperlink, http://www.treasury.gov/initiatives/financial-

stability/TARP-Programs/credit-market-

programs/talf/Pages/default.aspx].

Small Business Administration 7(a) Securities Purchase Program:

During fiscal year 2012, OFS completed the fifth and final disposition

of securities within the SBA 7(a) Securities Purchase Program, marking

the successful wind-down of the program. OFS collected a total of $376

million through the program. This includes $334 million in sales, $29

million in principal payments, and $13 million in interest payments

over the life of the program. These cash collections exceeded OFS's

original investment amount by $9 million, excluding purchased accrued

interest.

Additional information on SBA 7(a), including details on the program's

purpose, overview, and status can be found at the following website:

[hyperlink, http://www.treasury.gov/initiatives/financial-

stability/TARP-Programs/credit-market-

programs/sba7a/Pages/default.aspx].

Automotive Industry Financing Program:

OFS made substantial progress in the wind-down of the AIFP during

fiscal year 2013. In total, OFS disbursed $79.7 billion in loans and

equity investments to the auto industry through the AIFP. As of

September 30, 2013, OFS has collected $53.3 billion through sales,

repayments, dividends and interest under this program.

In December 2012, OFS announced its intent to fully exit its investment

in GM within the next 12-15 months. Concurrently with that

announcement, GM purchased 200 million shares of GM common stock from

OFS, for proceeds of $5.5 billion. In early 2013, OFS commenced the

disposition of its remaining 300 million common shares of GM common

stock through a series of pre-arranged written trading plans. In June

2013, OFS sold an additional 30 million shares of GM common stock in an

underwritten sale in connection with the inclusion of GM common stock

in the S&P 500 index for proceeds of $1.0 billion. The total amount

collected for fiscal year 2013 was $12.0 billion. As of September 30,

2013, 101 million common shares remained outstanding valued at $3.6

billion. OFS expects to complete the disposition of all remaining

shares by the end of 2013.

OFS invested $16.3 billion in Ally Financial (Ally) under TARP. As of

September 30, 2013, OFS's outstanding investment in Ally stood at $13.7

billion. Ally made substantial progress in completing the two strategic

initiatives OFS previously said were critical to maximize recovery of

the investment - the Chapter 11 proceeding of Ally's mortgage

subsidiary, Residential Capital LLC ("ResCap"), to address Ally's

legacy mortgage liabilities and the sale of its international auto

finance operations. During fiscal 2013, Ally, ResCap, and ResCap's

major creditors agreed on terms for a plan of reorganization and the

settlement of certain claims against Ally. The bankruptcy court has

approved this agreement and is expected to rule on the plan of

reorganization in early fiscal year 2014. Ally also sold or entered

into agreements to sell all of its international auto finance

operations for a total of $9.2 billion.

On August 19, 2013, Ally entered into private placement agreements with

investors of Ally common stock for an aggregate price of $1.0 billion

(later increased to $1.3 billion in November 2013). Concurrently, Ally

also entered into agreements with OFS to repurchase all of the

outstanding MCP stock and terminate the MCP's Share Adjustment Right

(SAR), which provided OFS with the right to receive additional common

stock of Ally under certain circumstances if certain events occurred

prior to December 30, 2016. Ally repurchased all of its MCP stock from

OFS for $5.2 billion in November 2013. In addition, OFS received an

additional $725 million for the elimination of the SAR. OFS is actively

seeking to wind-down the remaining investment in Ally, which represents

approximately 63 percent of Ally's common stock after Ally's private

placement completed in November 2013.

Additional information on the AIFP, including details on the programs

purpose, overview, and status can be found at the following website:

[hyperlink, http://www.treasury.gov/initiatives/financial-

stability/TARP-Programs/automotive-programs/Pages/default.aspx].

American International Group (AIG) Investment Program:

In fiscal year 2013, OFS exited all remaining holdings in AIG. During

the financial crisis, the OFS's and the FRBNY's peak support for AIG

totaled $182.3 billion. That included $69.8 billion that OFS committed

and $112.5 billion committed by the FRBNY, including $22.1 billion of

these commitments which were later canceled. As a result of the

combined efforts of AIG, OFS, and the Federal Reserve, $22.7 billion in

excess of the total of funds disbursed has been recovered through sales

and other income.

In fiscal year 2011, Treasury, including OFS, the FRBNY, the trustees

of the AIG Facility Trust (Trust)[Footnote 2] and AIG completed a

restructuring of government investments in AIG. As part of the

restructuring, Treasury received 1.7 billion AIG shares (1.1 billion

TARP shares and 563 million additional Treasury shares from the trust

established by the FRBNY for the benefit of Treasury). Since the

restructuring, OFS managed both the TARP and additional Treasury shares

and sold them on a pro-rata basis.

During fiscal year 2012, AIG completed the repayment of OFS's preferred

interests in the AIG SPVs for proceeds of $9.6 billion. In addition,

OFS conducted four offerings that sold a total of 1.2 billion shares of

AIG common stock (including 806 million TARP shares) at prices that

ranged from $29.00 per share to $32.50 per share. Total proceeds from

these sales amounted to $38.2 billion, consisting of $25.2 billion in

proceeds to OFS and additional proceeds to the Treasury for the

additional Treasury shares of $13.0 billion. The proceeds to OFS from

such common stock sales were $9.9 billion less than cost.

During fiscal year 2013, OFS sold its and Treasury's remaining 234

million shares of AIG common stock in two underwritten public offerings

for aggregate proceeds of approximately $7.6 billion. The proceeds from

these sales consisted of $5.0 billion to OFS and additional proceeds to

the Treasury for additional Treasury shares of $2.6 billion. On March

1, 2013, AIG repurchased warrants issued to OFS in 2008 and 2009 for

approximately $25 million. OFS disbursed a total of $67.8 billion to

AIG, and following this sale, OFS's cumulative net proceeds from

repayments, sales, dividends, interest, and other income related to AIG

assets totaled $55.3 billion, and OFS has no residual interest in AIG.

OFS sold all the TARP and additional Treasury shares at an average

price of $31.18 per share. Because the additional Treasury shares came

from the trust, the additional Treasury shares were provided to

Treasury at no cost and are not included in the OFS financial

statements. The TARP shares had a cost basis of $43.53 per share.

However, the figure of $28.73 per share was often referred to as

Treasury's "break-even" price for AIG common stock sales in order for

Treasury to recover the TARP AIG investment because that number

averages the cost over the TARP shares and the additional Treasury

shares. Thus, the average price realized was in excess of that break-

even price. While TARP recovered less than its total investment, this

was offset by the proceeds from the additional Treasury shares of AIG,

resulting in overall proceeds exceeding disbursements for Treasury.

[End of Operational Goal One]

Operational Goal Two: Continue Helping Families in Need to Avoid

Foreclosure:

Making Home Affordable (MHA):

Consistent with OFS's goal of continuing to help struggling homeowners

find solutions to avoid foreclosure wherever possible, OFS is

continuing to implement the MHA program and to reach as many homeowners

as possible. As of September 30, 2013, 91 non-GSE servicers are

participating in MHA. As of September 30, 2013, OFS has commitments to

fund up to $29.9 billion in MHA payments and has disbursed $6.5 billion

since inception.

OFS publishes quarterly assessments of servicer performance containing

data on compliance with program guidelines as well as program results

metrics. OFS believes that these assessments have set the standard for

transparency about mortgage servicer efforts to assist homeowners and

encourage servicers to improve processes and performance for

foreclosure prevention activities.

MHA performance highlights for fiscal year 2013 can be found at:

[hyperlink, http://www.treasury.gov/initiatives/financial-

stability/reports/Pages/Making-Home-Affordable-Program-Performance-

Report.aspx].

Additional information on MHA, including details on the programs

purpose, overview, and status can be found at the following website:

[hyperlink, http://www.treasury.gov/initiatives/financial-

stability/TARP-Programs/housing/mha/Pages/default.aspx].

Home Affordable Modification Program (HAMP):

The largest program within MHA is the Home Affordable Modification

Program (HAMP). HAMP offers responsible homeowners who are at risk of

foreclosure the opportunity to obtain reduced monthly mortgage payments

that are affordable and sustainable over the long-term.

As of September 30, 2013, approximately 1.3 million homeowners have

received permanent modifications through HAMP.[Footnote 3] This

includes modifications on both non-GSE loans (for which the cost is

paid by TARP) and GSE loans (for which the cost is paid by the GSEs).

Homeowners participating in HAMP have collectively experienced nearly a

40 percent median reduction in their mortgage payments--representing

more than $546 per month. MHA has also encouraged the mortgage industry

to adopt similar programs that have helped millions more at no cost to

taxpayers by establishing standards and best practices for loss

mitigation evaluations. As of September 30, 2013, homeowners in HAMP

have had their principal reduced by an estimated $22.3 billion.

On May 30, 2013, the Administration extended the application deadline

for MHA programs through December 2015 to provide struggling homeowners

additional time to access sustainable mortgage relief, and to align the

end dates for key assistance programs. OFS and the U.S. Department of

Housing and Urban Development (HUD) announced that the new deadline was

determined in coordination with the Federal Housing Finance Agency

(FHFA) to align with extended deadlines for the Home Affordable

Refinance Program (HARP) and the Streamlined Modification Initiative

for homeowners with loans owned or guaranteed by Fannie Mae and Freddie

Mac.

Housing Finance Agency Innovation Fund for the Hardest Hit Housing

Markets (Hardest Hit Fund):

In addition to MHA, OFS also operates the Hardest Hit Fund, which

allows participating HFAs in the nation's hardest hit housing and

unemployment markets to design innovative, locally-targeted

foreclosure prevention programs. As of September 30, 2013, all 19 HFAs

are fully operational and have created extensive infrastructures to

operate these programs, including selecting and training networks of

housing counselors to assist with applications, creating homeowner

portals to aid homeowners in applying for assistance, and hiring

underwriters and other staff to review and approve applications. The

five largest servicers (Bank of America, JPMorgan Chase, Wells Fargo,

Citibank, and GMAC) are currently participating in programs in all 19

jurisdictions, primarily through mortgage payment assistance and

mortgage loan reinstatement assistance.

As of September 30, 2013, the 19 HFAs have collectively drawn

approximately $2.9 billion (38.3 percent) of the $7.6 billion allocated

under the program. For fiscal years 2013 and 2012, this program has

disbursed $1.4 billion and $861 million, respectively. Each state draws

down funds as they are needed, but must have no more than five percent

of their allocation on hand before they can draw down additional funds.

States have until December 31, 2017, to have entered into agreements

with borrowers.

Each HFA submits a quarterly report on the progress of its program.

These reports include the states' performance on metrics set by OFS on

various aspects of their programs. Direct links to each state's most

recent performance report can be found at:

[hyperlink, http://www.treasury.gov/initiatives/financial-

stability/TARP-Programs/housing/Pages/Program-Documents.aspx].

Additional information on the Hardest Hit Fund, including details on

the program's purpose, overview, and status can be found at the

following website: [hyperlink,

http://www.treasury.gov/initiatives/financial-stability/TARP-

Programs/housing/hhf/Pages/default.aspx].

FHA Refinance Program:

On March 26, 2010, the Department of Housing and Urban Development

(HUD) and Department of the Treasury announced enhancements to the

Federal Housing Administration Refinance Program (FHA Refinance),

designed to make homeownership more affordable for borrowers whose

homes are worth less than the remaining amounts on their mortgage loans

(negative equity). TARP funds were made available by OFS through an

$8.0 billion letter of credit facility, in order to fund a share of the

losses experienced by FHA associated with this program (subsequently

reduced to $1.0 billion in fiscal year 2013 due to low utilization). As

of September 30, 2013, FHA guaranteed 3,015 Refinance loans with a

total face value of almost $489 million covered under OFS's letter of

credit facility. One default has been realized resulting in $47,840 in

claim payments by OFS.

[End of Operational Goal Two]

Operational Goal Three: Minimize Cost to Taxpayer:

OFS manages TARP investments to minimize costs to taxpayers by managing

the timely exit of these investments to reduce taxpayers' exposure,

return TARP funds to reduce the federal debt, and continue to replace

government assistance with private capital in the financial system. OFS

has taken a number of steps during fiscal years 2013 and 2012 to

dispose of OFS's outstanding investments in a manner that balances the

need to exit these investments as quickly as practicable with

maximizing returns for taxpayers. OFS also takes steps to ensure that

TARP recipients comply with any TARP-related statutory or contractual

obligations such as executive compensation requirements and

restrictions on dividend payments.

OFS's exit strategies for TARP investment programs depend on each

investment and are subject to market conditions. In disposing of TARP

investments, OFS takes a disciplined portfolio approach - reviewing

each investment and closely monitoring risk and performance. In

addition to repayments by participants, OFS has disposed of investments

to third parties through public and private offerings and auctions.

Utilizing auctions promotes competition and produces prices that are

market-driven.

Risk Assessment:

OFS has developed procedures to identify and mitigate investment risk.

These procedures are designed to identify TARP recipients that face a

heightened financial risk and determine appropriate responses to

preserve OFS's investment on behalf of taxpayers, while maintaining

financial stability. Specifically, OFS's external asset managers review

publicly available information to identify recipients for which pre-

tax, pre-provision earnings and capital may be insufficient to offset

future losses and maintain required capital. For certain institutions,

OFS and its external asset managers engage in heightened monitoring and

due diligence that reflects the severity and timing of the challenges.

Compliance:

OFS also takes steps to ensure that TARP recipients comply with their

TARP-related statutory and contractual obligations. Statutory

obligations include executive compensation restrictions. Contractual

obligations vary by investment type. For most of OFS's preferred stock

investments, TARP recipients must comply with restrictions on payment

of dividends and on repurchases of junior securities. Recipients of

exceptional assistance (currently GM and Ally) must comply with

additional restrictions on executive compensation, lobbying, corporate

expenses and internal controls and must provide quarterly compliance

reports.

In addition, all mortgage servicers participating in MHA are subject to

program guidelines, which require the servicer to offer MHA assistance

to all eligible borrowers and to have systems that can process all MHA-

eligible loans. Servicers are subject to periodic, on-site compliance

reviews performed by OFS's compliance agent, Making Home Affordable-

Compliance (MHA-C), a separate, independent division of Freddie Mac, to

ensure that servicers' obligations under MHA requirements are being

met. In fiscal year 2011, OFS began publishing quarterly assessments of

the largest servicers comprising approximately 89% of the HAMP mortgage

servicing market and continued publishing these quarterly assessments

throughout fiscal year 2013. These assessments have helped force the

industry to improve its practices.

[End of Operational Goal Three]

Operational Goal Four: Continue to Operate with the Highest Standards

of Transparency, Accountability, and Integrity:

To protect taxpayers and help ensure that every dollar is directed

toward promoting financial stability, OFS established comprehensive

accountability and transparency measures. OFS is committed to operating

its investment and housing programs in full view of the public. This

includes providing regular and comprehensive information about how TARP

funds are being spent, who has received them and on what terms, and how

much has been collected to date.

All of this information, along with numerous reports of different

frequencies is posted on the Financial Stability section of the

Treasury.gov website, which can be found at: [hyperlink,

http://www.treasury.gov/initiatives/financial-

stability/reports/Pages/default.aspx].

These reports include:

\* A Daily TARP Update, which features detailed financial data related

to each TARP investment program including the status of disbursements

and all collections by category;

\* A monthly report to Congress that details how TARP funds have been

used, the status of recovery of such funds by program, and information

on the estimated cost of TARP;

\* A monthly report on dividend and interest payments;

\* A monthly report on Making Home Affordable;

\* A report of each transaction (such as an investment or repayment)

within two business days of each transaction;

\* A quarterly report on the Hardest Hit Fund;

\* A quarterly report on PPIP that provides detailed information on the

funds, their investments, and returns. It is typically released within

one month after the end of each quarter; and:

\* A semi-annual report on warrant dispositions.

In addition, OFS regularly publishes data files related to MHA and

transaction reports that show activity related to MHA and HHF. The

release of the data file fulfills a requirement within the Dodd-Frank

Act to make available loan-level data about the program. OFS updates

the file monthly and will expand reporting to include newer initiatives

that are part of MHA. Researchers interested in using the MHA Data File

can access the file and user guide at: [hyperlink,

http://www.treasury.gov/initiatives/financial-

stability/reports/Pages/mha\_publicfile.aspx].

Audited Financial Statements:

OFS prepares separate financial statements for TARP on an annual basis.

This is the fifth OFS Agency Financial Report (AFR), and includes the

audited financial statements for the fiscal years ended September 30,

2013 and September 30, 2012. Additional reports for prior periods are

available at: [hyperlink,

http://www.treasury.gov/initiatives/financial-

stability/reports/Pages/Annual-Agency-Financial-Reports.aspx].

In its five years of operation, TARP's financial statements have

received five unmodified audit opinions from its auditor, the GAO. OFS

also received a Certificate of Excellence in Accountability Reporting

(CEAR) from the Association of Government Accountants for fiscal years

2012, 2011, 2010 and the period ending September 30, 2009.

TARP Retrospective Reports and the TARP Tracker:

In March 2013, OFS published the Troubled Asset Relief Program Four

Year Retrospective Report - An Update on The Wind-Down of TARP. This

serves as an update to OFS's TARP Three-Year Anniversary report, which

was published in October 2011. In October 2010, OFS published the TARP

Two Year Retrospective, which contains a comprehensive history of each

TARP program. These reports include information on TARP programs and

the effects of TARP and additional emergency measures taken by the

federal government to stabilize the financial system following the 2008

crisis.

In addition, during fiscal year 2013, OFS launched an expanded version

of its existing TARP Tracker, which is an online, interactive tool that

allows users to track the flow of TARP funds in greater detail over the

lifetime of each individual TARP investment area. The expanded

capability allows users to view each investment area separately to get

a clearer sense of what has occurred in a particular program, including

a scroll of events, major transactions, and legislative actions that

have impacted the program.

Readers are invited to refer to these documents at: [hyperlink,

http://www.treasury.gov/initiatives/financial-

stability/reports/Pages/default.aspx].

Oversight by Four Separate Agencies:

Congress also established four avenues of oversight for TARP:

\* The Financial Stability Oversight Board, established by EESA Section

104;

\* Specific responsibilities for the GAO as set out in EESA Section 116;

\* The Special Inspector General for TARP, established by EESA Section

121; and:

\* The Congressional Oversight Panel (COP), established by EESA Section

125. COP concluded its operations in accordance with EESA on April 3,

2011.

OFS has productive working relationships with all of these bodies, and

cooperates with each oversight agency's effort to produce periodic

audits and reports that focus on the many aspects of TARP. Individually

and collectively, the oversight bodies' audits and reports have made

and continue to make important contributions to the development,

strengthening, and transparency of TARP programs.

Congressional Hearings and Testimony:

OFS officials have testified in numerous Congressional hearings since

TARP was created. Copies of their written testimony are available at:

[hyperlink, http://www.treasury.gov/initiatives/financial-

stability/news-room/Pages/default.aspx].

[End of section]

Fiscal Year 2012 and 2013 Financial Summary and Cumulative Net Income:

OFS's fiscal year 2013 net income from operations of $7.7 billion

includes the reported net income related to loans, equity investments,

and other credit programs. For the fiscal year ended September 30,

2013, OFS reported net subsidy income for six programs -CPP, CDCI,

TALF, PPIP, AGP, and AIFP. These programs collectively reported net

subsidy income of $11.9 billion. Also, for the fiscal year ended

September 30, 2013, OFS experienced net subsidy cost for two programs -

AIG and FHA Refinance Program totaling $34 million. Fiscal year 2013

expenses for the Treasury housing programs under TARP of $4.0 billion

and administrative costs of $248 million bring the total reported

fiscal year net income from operations to $7.7 billion. For the fiscal

year ended September 30, 2012, the net income from operations was $7.7

billion. These net income amounts reported in the financial statements

reflect only transactions through September 30, 2013 and September 30,

2012, respectively, and therefore are different than lifetime cost

estimates made for budgetary purposes.

Over time the cost of TARP programs will change. As described later in

the OFS audited financial statements, these estimates are based in part

on currently projected economic factors. These economic factors will

likely change, either increasing or decreasing the lifetime cost of

TARP.

TARP Program Summary:

Table 1 provides a financial summary for TARP programs since its

inception on October 3, 2008, through September 30, 2013. For each

program, the table provides utilized TARP authority (which includes

purchases made, legal commitments to make future purchases, and offsets

for guarantees made), the amount actually disbursed, repayments to OFS

from program participants or from sales of the investments, write-offs

and losses, net outstanding balance as of September 30, 2013, and cash

inflows on the investments in the form of dividends, interest or other

fees. As of September 30, 2013, $30 billion of the $456.6 billion in

purchase and guarantee authority remained unused.

Table 1: TARP Summary[1]; From TARP Inception through September 30,

2013; (Dollars in billions).

Bank Support Programs:

Capital Purchase Program[5];

Purchase Price or Guarantee Amounts: $204.9;

Total Disbursed: $204.9;

Investment Sales and Repayments: ($197.9)[6];

Write-offs and Losses[3]: ($3.9);

Outstanding Balance[4]: $3.1;

Received from Investments: $26.8.

Targeted Investment Program;

Purchase Price or Guarantee Amounts: $40.0;

Total Disbursed: $40.0;

Investment Sales and Repayments: ($40.0);

Write-offs and Losses[3]: [Empty];

Outstanding Balance[4]: [Empty];

Received from Investments: $4.4.

Asset Guarantee Program;

Purchase Price or Guarantee Amounts: $5.0;

Total Disbursed: [Empty];

Investment Sales and Repayments: [Empty];

Write-offs and Losses[3]: [Empty];

Outstanding Balance[4]: [Empty];

Received from Investments: $4.1.

Community Development Capital Initiative;

Purchase Price or Guarantee Amounts: $0.6;

Total Disbursed: $0.6;

Investment Sales and Repayments: ($0.1);

Write-offs and Losses[3]: [Empty];

Outstanding Balance[4]: $0.5;

Received from Investments: [Empty].

Credit Market Programs:

Public-Private Investment Program;

Purchase Price or Guarantee Amounts: $19.6;

Total Disbursed: $18.6;

Investment Sales and Repayments: ($18.6);

Write-offs and Losses[3]: [Empty];

Outstanding Balance[4]: [Empty];

Received from Investments: $3.8.

Term Asset-Backed Securities Loan Facility;

Purchase Price or Guarantee Amounts: $0.1;

Total Disbursed: $0.1;

Investment Sales and Repayments: ($0.1);

Write-offs and Losses[3]: [Empty];

Outstanding Balance[4]: [Empty];

Received from Investments: $0.6.

SBA 7(a) Securities Purchase Program;

Purchase Price or Guarantee Amounts: $0.4;

Total Disbursed: $0.4;

Investment Sales and Repayments: ($0.4);

Write-offs and Losses[3]: [Empty];

Outstanding Balance[4]: [Empty];

Received from Investments: [Empty].

Other Programs:

Automotive Industry Financing Program;

Purchase Price or Guarantee Amounts: $79.7;

Total Disbursed: $79.7;

Investment Sales and Repayments: ($47.1);

Write-offs and Losses[3]: ($12.7);

Outstanding Balance[4]: $19.9;

Received from Investments: $6.2.

American InternationalGroup Investment Program2[2];

Purchase Price or Guarantee Amounts: $67.8;

Total Disbursed: $67.8;

Investment Sales and Repayments: ($54.3);

Write-offs and Losses[3]: ($13.5);

Outstanding Balance[4]: [Empty];

Received from Investments: $1.0.

Sub-total for Investment Programs;

Purchase Price or Guarantee Amounts: $418.1;

Total Disbursed: $412.1;

Investment Sales and Repayments: ($358.5);

Write-offs and Losses[3]: ($30.1);

Outstanding Balance[4]: $23.5;

Received from Investments: $46.9.

Treasury Housing Programs under TARP;

Purchase Price or Guarantee Amounts: $38.5[7];

Total Disbursed: $9.5;

Investment Sales and Repayments: $N/A;

Write-offs and Losses[3]: $N/A;

Outstanding Balance[4]: $N/A;

Received from Investments: $N/A.

Total for TARP Program;

Purchase Price or Guarantee Amounts: $456.6;

Total Disbursed: $421.6;

Investment Sales and Repayments: ($358.5);

Write-offs and Losses[3]: ($30.1);

Outstanding Balance[4]: $23.5;

Received from Investments: $46.9.

[1] This table shows TARP activity for the period from inception

through September 30, 2013, on a cash basis. Received from investments

includes dividends and interest income reported in the Statement of Net

Cost, and proceeds from sale and repurchases of assets in excess of

costs.

[2] The amounts for AIG reflect only the operations of TARP and

do not reflect proceeds received from the sale of shares of AIG common

stock held by Treasury outside of TARP (additional Treasury shares).

For further details, see the discussion of the American International

Group Investment Program, beginning on page 14.

[3] Losses represent proceeds less than cost on sales of assets which

are reflected in the financial statements within "net proceeds from

sales and repurchases of assets in excess of (less than) cost."

[4] Total disbursements less repayments, write-offs and losses do not

equal the total outstanding balance because the disbursements for the

Treasury housing programs under TARP generally do not require (and OFS

does not expect) repayments.

[5] OFS received $31.9 billion in proceeds from sales of Citigroup

common stock, of which $25.0 billion is included at cost in investment

sales, and $6.9 billion of net proceeds in excess of cost is included

in Received from Investments.

[6] Includes $2.2 billion of SBLF refinancing outside of TARP and CDCI

exchanges from CPP of $363 million.

[7] Individual obligation amounts are $29.9 billion for the Making

Home Affordable Program, $7.6 billion for the Hardest Hit Fund, and

$1.0 billion committed for the FHA Refinance Program.

[End of table]

Most TARP funds were used to make investments in preferred stock or to

make loans. OFS has generally received dividends on the preferred stock

and interest payments on the loans from the institutions participating

in TARP programs. These payments represent additional proceeds received

on OFS's TARP investments. From inception through September 30, 2013

OFS received a total of $24.2 billion in dividends and interest.

OFS has conducted several sales of its investments in banking

institutions as part of its exit strategy for winding down TARP. OFS

plans to continue to sell its investments in banks that are not

expected to repay OFS in the foreseeable future. These sales are being

conducted over time and in stages and include both common and preferred

stock and debentures. During fiscal years 2013 and 2012, OFS sold its

investments in 113 and 40 banks for combined proceeds of $1.5 billion

and $1.3 billion, respectively, through individual public and private

auctions. These auctions resulted in net proceeds less than cost of

$455 million and $180 million for those investments, respectively.

OFS also received warrants in connection with most of its investments,

which provides an opportunity for OFS on behalf of taxpayers to realize

additional proceeds on investments. Since the program's inception,

through September 30, 2013, OFS has received $9.5 billion in gross

proceeds from the disposition of warrants associated with 204 CPP

investments, both TIP investments, AGP, and AIG, consisting of (i) $4.0

billion from issuer repurchases at agreed upon values and (ii) $5.5

billion from auctions. TARP's Warrant Disposition Report is posted on

the OFS website at the following link: [hyperlink,

http://www.treasury.gov/initiatives/financial-

stability/reports/Pages/Warrant-Disposition-Reports.aspx].

Summary of TARP Equity Investments:

Table 2 provides information on the estimated values of TARP direct

loan and equity investments by program, as of the end of fiscal years

2013 and 2012. OFS housing programs under TARP are excluded from the

chart because no repayments are expected. The Outstanding Balance

column represents the amounts disbursed by OFS relating to the loans

and equity investments that were outstanding as of September 30, 2013

and 2012. The Estimated Value of the Investment column represents the

present value of net cash inflows that OFS estimates it will receive

from the loans and equity investments. These estimates include market

risk assumptions. For equity securities, this amount represents fair

value. The total difference of $5.6 billion (2013) and $22.9 billion

(2012) between the two columns is considered the "subsidy cost

allowance" under the Federal Credit Reform Act methods OFS follows for

budget and accounting purposes.

See Note 6 in the financial statements for further discussion.

Table 2: Summary of TARP Direct Loans and Equity Investments; (Dollars

in billions):

Bank Support Programs:

Program: Capital Purchase Program;

Outstanding Balance as of September 30, 2013[1]: $3.1;

Estimated Value of Investment as of September 30, 2013: $1.8;

Outstanding Balance as of September 30, 2012[1]: $8.7;

Estimated Value of Investment as of September 30, 2012: $5.7.

Program: Community Development Capital Initiative;

Outstanding Balance as of September 30, 2013[1]: $0.5;

Estimated Value of Investment as of September 30, 2013: $0.4;

Outstanding Balance as of September 30, 2012[1]: $0.6;

Estimated Value of Investment as of September 30, 2012: $0.4.

Credit Market Programs:

Program: Public-Private Investment Program;

Outstanding Balance as of September 30, 2013[1]: $0.0;

Estimated Value of Investment as of September 30, 2013: $0.0;

Outstanding Balance as of September 30, 2012[1]: $9.8;

Estimated Value of Investment as of September 30, 2012: $10.8.

Program: Term Asset-Backed Securities Loan Facility;

Outstanding Balance as of September 30, 2013[1]: $0.0;

Estimated Value of Investment as of September 30, 2013: $0.1;

Outstanding Balance as of September 30, 2012[1]: $0.1;

Estimated Value of Investment as of September 30, 2012: $0.7.

Other Programs:

Program: Automotive Industry Financing Program;

Outstanding Balance as of September 30, 2013[1]: $19.9;

Estimated Value of Investment as of September 30, 2013: $15.6;

Outstanding Balance as of September 30, 2012[1]: $37.2;

Estimated Value of Investment as of September 30, 2012: $17.5.

Program: American International Group Investment Program;

Outstanding Balance as of September 30, 2013[1]: $0.0;

Estimated Value of Investment as of September 30, 2013: $0.0;

Outstanding Balance as of September 30, 2012[1]: $6.7;

Estimated Value of Investment as of September 30, 2012: $5.1.

Program: Total;

Outstanding Balance as of September 30, 2013[1]: $23.5;

Estimated Value of Investment as of September 30, 2013: $17.9;

Outstanding Balance as of September 30, 2012[1]: $63.1;

Estimated Value of Investment as of September 30, 2012: $40.2.

[1] Before subsidy cost allowance.

[End of table]

The ultimate cost of TARP will not be known for some time, but it is

not expected to change significantly as only a few investment programs

remain open with much of the original disbursed investments repaid. The

financial performance of the remaining programs will depend on many

factors, such as future economic and financial conditions, and the

business prospects of specific institutions. The cost estimates are

sensitive to slight changes in model assumptions, such as general

economic conditions, specific stock price volatility of the entities in

which OFS has an equity interest, estimates of expected defaults, and

prepayments. Wherever possible, OFS uses market prices of tradable

securities to estimate the fair value of TARP investments. Use of

market prices was possible for TARP investments that trade in public

markets or are closely related to tradable securities. For those TARP

investments that do not have direct analogs in private markets, OFS

uses internal market-based models to estimate the market value of these

investments. All future cash flows are adjusted for market risk.

Further details on asset valuation can be found in Note 6 of the

Financial Statements.

Comparison of Estimated Lifetime TARP Costs Over Time:

Market conditions and the performance of specific financial

institutions are critical determinants of TARP's estimated lifetime

cost. The changes in OFS estimates since TARP's inception through

September 30, 2013, provide a good illustration of this impact. Table 3

provides information on how OFS's estimated lifetime cost of TARP has

changed over time. These costs for the non-housing programs fluctuate

in large part due to changes in the market prices of common stock for

AIG and GM and the estimated value of the Ally stock. This table

assumes that all expected investments and disbursements for Treasury

housing programs under TARP are completed, and adhere to general

government budgeting guidance. This table will not tie to the financial

statements since it includes repayments and disbursements expected to

be made in the future. Table 3 is consistent with the estimated TARP

lifetime cost disclosures on the OFS web site at: [hyperlink,

http://www.treasury.gov/initiatives/financial-

stability/Pages/default.aspx].

The cost amounts in Table 3 are based on assumptions regarding future

events, which are inherently uncertain.

Table 3: Estimated Lifetime TARP Costs (Income)[1]; (Dollars in

billions):

Estimated Lifetime Cost (Income) as of September 30:

Bank Support Programs:

Program: Capital Purchase Program;

2009[5]: ($14.6);

2010: ($11.2);

2011: ($13.0);

2012: ($14.9);

2013: ($16.1).

Program: Targeted Investment Program;

2009[5]: ($1.9);

2010: ($3.8);

2011: ($4.0);

2012: ($4.0);

2013: ($4.0).

Program: Asset Guarantee Program[2];

2009[5]: ($2.2);

2010: ($3.7);

2011: ($3.7);

2012: ($3.9);

2013: ($4.0).

Program: Community Development Capital Initiative;

2009[5]: $0.4;

2010: $0.3;

2011: $0.2;

2012: $0.2;

2013: $0.1.

Credit Market Programs:

Program: Public-Private Investment Program;

2009[5]: $1.4;

2010: ($0.7);

2011: ($2.4);

2012: ($2.4);

2013: ($2.7).

Program: Term Asset-Backed Securities Loan Facility;

2009[5]: ($0.3);

2010: ($0.4);

2011: ($0.4);

2012: ($0.5);

2013: ($0.6).

Program: SBA 7(a) Securities Purchase Program;

2009[5]: $ N/A;

2010: [Empty];

2011: [Empty];

2012: [Empty];

2013: [Empty].

Other Programs:

Program: Automotive Industry Financing Program;

2009[5]: $34.5;

2010: $14.7;

2011: $23.6;

2012: $24.3;

2013: $14.7.

Program: American International Group Investment Program[3];

2009[5]: $56.8;

2010: $36.9;

2011: $24.3;

2012: $15.3;

2013: $15.2.

Program: Subtotal;

2009[5]: $74.1;

2010: $32.1;

2011: $24.6;

2012: $14.1;

2013: $2.6.

Treasury Housing Programs under TARP[4];

2009[5]: $50.0;

2010: $45.6;

2011: $45.6;

2012: $45.6;

2013: $37.7.

Program: Total;

2009[5]: $124.1;

2010: $77.7;

2011: $70.2;

2012: $59.7;

2013: $40.3.

[1] Estimated program costs (+) or savings (in parentheses) over the

life of the program, including interest on re-estimates and excluding

administrative costs.

[2] Prior to the termination of the guarantee agreement, OFS

guaranteed up to $5.0 billion of potential losses on a $301.0 billion

portfolio of loans.

[3] The amounts for AIG reflect only the operations of TARP and do not

reflect proceeds received from the sale of shares of AIG common stock

held by Treasury outside of TARP (additional Treasury shares). For

further details, see the discussion of the American International

Group Investment Program, beginning on page 14.

[4] The estimated lifetime cost for Treasury Housing Programs under

TARP represent the total commitment except for the FHA Refinance

Program, which is accounted for under credit reform. The estimated

lifetime cost of the FHA Refinance Program represents the total

estimated subsidy cost associated with total obligated amount.

[5] Estimated lifetime cost for 2009 includes funds for projected

disbursements and anticipated obligations.

[End of table]

[End of section]

Key Trends/Factors Affecting TARP Future Activities and Ultimate

Cost:

This section provides additional TARP analytic information and

enhanced sensitivity analysis focusing on the remaining TARP

dollars/continued taxpayer exposure and what is likely to affect the

expected future return. As of September 30, 2013, one TARP program

– the AIFP – has more than $5.0 billion still outstanding and remains

at the most risk of additional taxpayer loss. Going forward, the

collections or costs from the AIFP and the expenditures for Treasury

housing programs under TARP are expected to most significantly affect

changes to the lifetime cost of TARP.

Automotive Industry Financing Program:

As of September 30, 2013, OFS’s gross AIFP investments outstanding in

GM and Ally Financial totaled $19.9 billion, with an estimated value

of $15.6 billion. The future value of OFS’s investment in GM will depend

on the market price of GM common stock, which is affected by a variety

of factors specific to the financial condition and results of

operations of GM as well as factors pertaining to the industry and the

overall economy, such as the competitiveness of U.S. manufacturers,

both domestically and internationally, and macroeconomic conditions

(unemployment, Gross Domestic Product growth, etc.) which affect the

overall trends in auto sales. The future value of OFS’s investment in

Ally will depend on industry and macroeconomic factors as well as

company-specific factors, including in particular the ability of the

company to resolve the bankruptcy of its subsidiary, Residential

Capital, LLC (ResCap), in a timely and cost-effective manner, and the

proceeds realized from the sale of its international operations.

Treasury Housing Programs Under TARP:

OFS committed $38.5 billion to fund Treasury housing programs under

TARP. From inception through September 30, 2013, $9.5 billion has been

disbursed under these programs, consisting of $6.5 billion for MHA,

$2.9 billion for the Hardest Hit Fund, and $0.1 billion for the FHA

Refinance Program. If all active modifications made as of September 30,

2013, in association with MHA were to remain current and receive

incentives for five years, OFS estimates that $13.3 billion in incentive

fees will ultimately be disbursed for MHA alone. The program is

continuing to enter into new modifications as the termination date

was extended to December 31, 2015. Separately, $7.6 billion has been

allocated for the Hardest Hit Fund and $1.0 billion for the FHA

Refinance Program.

Sensitivity Analysis:

The ultimate value of TARP investments will only be known in time.

Realized values will vary from current estimates in part because

economic and financial conditions will change. Many TARP investments

do not have readily observable values and their values can only be

estimated by OFS.

Sensitivity analysis is one way to get some feel for the degree of

uncertainty around the OFS estimates. In the analysis reported here,

OFS focuses on the AIFP as it is the only remaining program with

outstanding investments in excess of $5.0 billion.

AIFP Analysis:

The most important inputs to the valuation of OFS’s outstanding

investments under the AIFP are the market price of New GM common stock

and the change in the estimated value of Ally Financial common stock,

which is based on the price paid by private investors in November,

2013. Table 4 shows the change in estimated value of OFS outstanding

AIFP investments based on a 10 percent increase and 10 percent

decrease in the trading price of the New GM common stock and

separately a 10 percent increase and 10 percent decrease in the

estimated value of the Ally Financial common stock. Figure A shows

that the GM securities have recently been trading within the range

used in the analysis as well as outside of this range, illustrating

the uncertainty around the cost estimates.

Table 4: Impact on AIFP Valuation:

Impact of GM on AIFP:

September 30, 2013 Reported Value for AIFP: $15.60;

Effect of 10% Increase: $15.95;

Effect of 10% Decrease: $15.25.

Percent change from current:

September 30, 2013 Reported Value for AIFP: N/A;

Effect of 10% Increase: 2.24%;

Effect of 10% Decrease: (2.24%).

Impact of Ally (formerly GMAC) on AIFP:

September 30, 2013 Reported Value for AIFP: $15.60;

Effect of 10% Increase: $16.79;

Effect of 10% Decrease: $14.40.

Percent change from current:

September 30, 2013 Reported Value for AIFP: N/A;

Effect of 10% Increase: 7.66%;

Effect of 10% Decrease: (7.66%).

[End of table]

Figure A shows the daily closing price of the New GM common stock

during fiscal years 2012 and 2013. The closing price for September 30,

2013 was $35.97. The dashed lines represent the high and low price

used in the sensitivity analysis.

Figure A: Daily Price of GM Common Stock:

[Refer to PDF for image: multiple line graph]

Graph depicts the following for the time period October 2011 through

September 2013:

Daily closing price;

Increase 10%;

Decrease 10%.

[End of figure]

[End of section]

Systems, Controls, and Legal Compliance:

Text box:

Management Assurance Statement:

The Office of Financial Stability‘s (OFS) management is responsible

for establishing and maintaining effective internal control and

financial management systems that meet the objectives of the Federal

Managers‘ Financial Integrity Act (FMFIA), 31 U.S.C. 3512(c),(d). OFS

has evaluated its management controls, internal controls over

financial reporting, and compliance with the federal financial systems

standards. As part of the evaluation process, we considered the

results of extensive documentation, assessment and testing of controls

across OFS, as well as the results of independent audits. We conducted

our reviews of internal controls in accoradnce with FMFIA and Office

of Management and Budget (OMB) Circular A-123.

As a result of our reviews, management concludes that the management

control objectives described below, taken as a whole, were achieved as

of September 30, 2013. Specifically, this assurance is provided

relative to Section 2 (internal controls) and 4 (systems controls) of

FMFIA. OFS further assures that the financial management systems

relied upon by OFS are in substantial compliance with the requirements

imposed by the Federal Financial Management Improvement Act (FFMIA).

OFS‘ internal controls are designed to meet the management objectives

established by Treasury and listed below:

(a) Programs achieve their intended results;

(b) Resources are used consistent with overall mission;

(c) Programs and resources are free from waste, fraud, and

mismanagement;

(d) Laws and regulations are followed;

(e) Controls are sufficient to minimize any improper or erroneous

payments;

(f) Performance information is reliable;

(g) System security is in substantial compliance with all relevant

requirements;

(h) Continuity of operations planning in critical areas is sufficient

to reduce risk to reasonable levels; and;

(i) Financial management systems are in compliance with federal

financial systems standards, i.e., FMFIA Section 4 and FFMIA.

In addition, OFS management conducted its assessment of the

effectiveness of internal control over financial reporting, which

includes safeguarding of assets and compliance with applicable laws

and regulations, in accordance with OMB Circular A-123, Management's

Responsibility for Internal Control, Appendix A, Internal Control over

Financial Reporting. Based on the results of this evaluation, OFS

provides unqualified assurance that internal control over financial

reporting is appropriately designed and operating effectively as of

September 30, 2013, with no related material weaknesses noted.

Sincerely,

Signed by:

Timothy G. Massad:

Assistant Secretary for Financial Stability:

[End of text box]

Internal Control Program:

OFS continues to have a high performing internal control program in

compliance with the Federal Managers’ Financial Integrity Act (FMFIA).

FMFIA and OMB Circular A-123, Management’s Responsibility for Internal

Control, require agencies to evaluate and report on internal controls

in place to ensure effectiveness and efficiency of operations,

compliance with applicable laws and regulations, and reliability of

financial reporting. OFS has completed these rigorous assessments

since fiscal year 2009.

OFS has a Senior Assessment Team (SAT) to guide the organization’s

efforts to meet the statutory and regulatory requirements surrounding

a sound system of internal control. OFS’s internal control framework is

based on the principles of the Committee of Sponsoring Organizations

of the Treadway Commission (COSO). The SAT leverages this framework in

communicating control objectives across OFS and its third-party

service providers. Furthermore, managers throughout OFS are

responsible for ensuring that effective internal controls are

implemented in their areas of responsibility. Senior management

throughout OFS provides assurance statements annually concerning

whether there is reasonable assurance that the objectives of internal

control are met. Senior management also reports on and takes steps to

correct control weaknesses and tracks those weaknesses through

resolution.

OFS management believes that maintaining integrity and accountability

in all programs and operations is critical to its mission and

demonstrates responsible stewardship over assets and resources. It

also promotes responsible leadership and maximizes desired

program outcomes. OFS has received unmodified opinions from the GAO on

its financial statements and internal control over financial reporting

since fiscal year 2009, its first full year of operation. OFS

continues to refine its internal controls assessment process

to ensure that management can identify risks and deficiencies and make

timely corrective actions. The OFS fiscal year 2013 self-assessment of

its system of internal controls did not identify any significant

deficiencies or material weaknesses.

Information Technology Systems:

In fiscal year 2013, OFS continued to utilize and improve the Core

Investment Transaction Flow (CITF), TARP’s system of record and

accounting translation engine. OFS fine-tuned several standardized

management reports from CITF to improve their usefulness to management

decision-making and added functionality to capture key data elements for

use in preparing the financial statements and associated notes.

Other financially relevant systems are supported by financial agents,

which provide services to OFS. The financial agency agreements

maintained by the Treasury Office of the Fiscal Assistant Secretary in

support of OFS require financial agents to design and implement

suitably robust security plans and internal control programs, to be

reviewed and approved by OFS at least annually.

In addition, OFS utilizes financial systems maintained by Treasury

Departmental Offices and various Treasury bureaus. These systems are

in compliance with federal financial management systems standards and

undergo regular independent audits.

Compliance with the Improper Payments Elimination and Recovery Act

(IPERA):

The Improper Payments Elimination and Recovery Act of 2010 (IPERA)

requires agencies to review their programs and activities annually to

identify those susceptible to significant improper payments. IPERA

significantly increases agency payment recapture efforts by requiring

reviews of all programs with annual payments of $1 million or more, if

cost-effective. IPERA requires agencies to report information on their

significant improper payments and recapture audit programs to the

President and Congress annually.

The elimination of improper payments is a major focus of OFS senior

management. Managers are held accountable for developing and

strengthening financial management controls to detect and prevent

improper payments, and thereby better safeguard taxpayer dollars. OFS

carried out its fiscal year 2013 IPERA review per Treasury-wide

guidance and did not assess any programs or activities as susceptible

to significant erroneous payments. However, management did identify a

number of Making Home Affordable (MHA) investor cost share payments

that were erroneously calculated due to data discrepancies between

servicer files and the MHA system of record. Data that servicers

upload to the MHA system of record is used to calculate these incentive

payments. The overall impact of the data errors on incentive payments

was immaterial.

In fiscal year 2012 and again in fiscal year 2013, OFS concluded that

a payment recapture audit was not cost-effective as all programs were

deemed to have a low risk of significant improper payments. For many

programs, OFS already has procedures in place to review payments for

completeness and accuracy prior to and after disbursement. For the MHA

program, nearly 2,000 business rules have been integrated into the MHA

system of record to ensure the eligibility, accuracy and

appropriateness of incentive payments. Management leverages OFS’s

extensive internal control testing results or assessment results, as

well as the Bureau of the Fiscal Service’s testing results over

administrative disbursements.

On April 12, 2012, OMB issued Memorandum M-12-11 “Reducing Improper

Payments through the ‘Do Not Pay List,’” based on a Directive provided

by the President in June 2010. The President directed agencies to

“review current pre-payment and pre-award procedures and ensure that a

thorough review of available databases with relevant information on

eligibility occurs before the release of any Federal funds.” In order to

achieve this mission, the President directed the creation of a single

point of entry through which agencies would access relevant data

before determining eligibility for Federal funding commonly referred

to as the “Do Not Pay List.” Prior to the release of this Directive,

OFS already had strong controls in place to help ensure payment

eligibility. During fiscal year 2013, OFS implemented the “Do Not Pay

List” solution to monitor administrative disbursements and, to date;

the “Do Not Pay” Business Center has not identified any potential OFS

improper payments. Going forward, OFS will, as appropriate, integrate

additional “Do Not Pay List” functionality into its operations.

Areas for Improvement:

Over the next year, OFS management will focus on maintaining its

internal control environment in several key areas as follows:

\* As programs continue to wind-down, OFS will remain vigilant to

maintain effective processes and controls. OFS management will take

steps to sustain adequate segregation of duties and the right level of

institutional knowledge among remaining staff as the size of the

organization decreases.

\* Third-party service providers will continue to support critical

services as programs continue to wind-down. OFS will oversee and

monitor closely these third parties to safeguard OFS resources and

help ensure the operational efficiency of programs and processes.

\* As OFS programs conclude and staff continues to decrease, OFS plans

to streamline the number and depth of policies and procedures to make

them more efficient and reduce the maintenance burden. OFS will manage

this process through the SAT to ensure that any resulting risk is

minimal and controlled.

\* OFS has developed information technology capabilities to increase

efficiency and automate manual processes. Continuing to leverage

existing information technology assets will help reduce risks

associated with human error. In fiscal year 2014, OFS will work to

right-size the information technology environment to better align with

the decreasing level of activity due to the ongoing wind down of OFS

programs.

Limitations of the Financial Statements:

The principal financial statements have been prepared to report the

financial position and results of operations of OFS’s TARP programs,

consistent with the requirements of 31 U.S.C. 3515(b). While the

statements have been prepared from the books and records of OFS and

the Department of the Treasury in accordance with section 116 of EESA

and Generally Accepted Accounting Principles (GAAP) for Federal

entities and the formats prescribed by OMB, the statements are in

addition to the financial reports used to monitor and control

budgetary resources which are prepared from the same books and

records.

The statements should be read with the realization that they are for a

component of the U.S. Government, a sovereign entity.

Part 1 Footnotes:

[1] The independent trust established to manage the Department of the

Treasury's beneficial interest in Series C preferred AIG shares.

[2] The independent trust established to manage the Treasury's

beneficial interest in preferred AIG shares from the FRBNY.

[3] 667,093 of these modifications were OFS funded.

[4] During fiscal year 2013, the OFS held investments in SPVs under the

TALF and PPIP programs; in fiscal year 2012, the OFS held investments

in SPVs under the TALF, PPIP and AIG Investment Programs.

[5] The Department of the Treasury retained no ownership interest in

AIG at September 30, 2013. It owned 80 million shares of AIG common

stock, approximately 5.4 percent of AIG's common stock equity, at

September 30, 2012.

[6] This consists of equity investments made under CPP and CDCI.

[7] Subsidies obligated in nonbudgetary financing accounts consist of

negative subsidies and downward reestimates, which are reductions of

subsidy cost, transferred from the financing accounts to the Treasury

General Fund. These transfers occur in the same fiscal year as the

obligations.

[End of Part 1]

Part 2: Financial Section:

Message From The Chief Financial Officer (CF0):

The Office of Financial Stability’s (OFS) Agency Financial Report for

fiscal year 2013 provides readers information on financial results

relating to the Troubled Asset Relief Program (TARP) as required by

the Emergency Economic Stabilization Act (EESA) of 2008 and other

laws. It is a critical part of our efforts to ensure the highest level

of transparency and accountability to the American people.

For fiscal year 2013, the Government Accountability Office (GAO)

provided OFS unmodified audit opinions on the fair presentation of our

financial statements and the effectiveness of our internal control

over financial reporting. In addition, the auditors determined that we

had no material weaknesses or significant deficiencies relating to

internal control over our accounting and financial reporting

processes. Since the inception of TARP in 2009, the program has

consistently received unmodified audit opinions – a remarkable

achievement for a start-up organization with complex programs.

I would like to acknowledge senior management’s commitment to good

governance as well as the discipline, transparency, and care exhibited

by OFS employees in creating and executing our organization’s policies

and procedures. We were honored to have received the Certificate of

Excellence in Accountability Reporting (CEAR) award from the

Association of Government Accountants for each of the four periods

from inception through the fiscal year 2012.

For fiscal year 2013, net income from operations was $7.7 billion,

resulting in a cumulative net cost of operations of $12.6 billion

since inception. Cumulative net cost of operations consists of (1)

total net subsidy cost of $1.6 billion, and (2) housing costs and

administrative costs of $9.7 billion and $1.3 billion, respectively.

Total cumulative net subsidy cost consists of net subsidy income from

the CPP, TIP, AGP, PPIP, SBA and TALF investments totaling $27.4

billion, offset primarily by net subsidy cost from investments in AIG

of $15.2 billion, and automobile company investments of $13.7 billion.

During fiscal year 2013, OFS collected a total of $35.9 billion

through repayments, sales, dividends, and other receipts. OFS’s gross

outstanding loan and equity investment balance as of September 30,

2013 was $23.5 billion, comprising $19.9 billion in AIFP, $3.1 billion

in CPP, and the remainder in CDCI and TALF. OFS is committed to

exiting investments in a timely manner while maximizing collections on

behalf of the taxpayer.

In fiscal year 2013, OFS continued to maintain rigorous internal

control processes around transaction processing, disbursements,

collections, and financial reporting. OFS further standardized and

automated its subsidiary ledger reporting supporting the validation

and reconciliation of financial data and continued enhancements to

various financial reports. In the upcoming fiscal year, OFS will seek

to streamline and simplify internal control processes in order to

accommodate the continued wind-down of TARP investment programs.

I feel fortunate to play a role in the continuing tradition of sound

fiscal stewardship at OFS. This organization recognizes the importance

of a robust control environment and will continue to uphold the

highest standards of integrity as we carry out our fiduciary

responsibilities to the American people.

Sincerely,

Signed by:

Lorenzo Rasetti:

Chief Financial Officer:

[End of section]

Government Accountability Office Auditor’s Report:

GAO:

United States Government Accountability Office:

441 G St. N.W.

Washington, DC 20548:

Independent Auditor's Report:

To the Assistant Secretary for Financial Stability:

In our audits of the fiscal years 2013 and 2012 financial statements of

the Troubled Asset Relief:

Program (TARP), which is implemented by the Office of Financial

Stability (OFS),[Footnote 1] we found:

\* the OFS financial statements for TARP as of and for the fiscal years

ended September 30, 2013, and 2012, are presented fairly, in all

material respects, in accordance with U.S. generally accepted

accounting principles;

\* OFS maintained, in all material respects, effective internal control

over financial reporting for TARP as of September 30, 2013; and:

\* no reportable noncompliance for fiscal year 2013 with provisions of

applicable laws, regulations, contracts, and grant agreements we

tested.

The following sections discuss in more detail (1) our report on the

financial statements and on internal control over financial reporting,

which includes two emphasis of matters related to certain factors

affecting the valuation of TARP direct loans, equity investments and

asset guarantee program and the TARP reporting entity, and required

supplementary information (RSI) and other information included with the

financial statements; (2) our report on compliance with laws,

regulations, contracts, and grant agreements; and (3) agency comments.

In addition to our responsibility to audit OFS's annual financial

statements for TARP, we also are required under the Emergency Economic

Stabilization Act of 2008 (EESA)[Footnote 2] to report at least every

60 days on the findings resulting from our oversight of the actions

taken under TARP.[Footnote 3] This report responds to both of these

requirements. We have issued numerous other reports on TARP in

connection with this 60-day reporting responsibility, which can be

found on GAO's website at [hyperlink, http://www.gao.gov.

Report on the Financial Statements and on Internal Control over

Financial Reporting:

In accordance with EESA, we have audited the OFS financial statements

for TARP. The OFS financial statements for TARP comprise the balance

sheets as of September 30, 2013, and 2012; the related statements of

net cost of operations, changes in net position, and budgetary

resources for the fiscal years then ended; and the related notes to

the financial statements. We also have audited OFS's internal control

over financial reporting for TARP as of September 30, 2013, based on

criteria established under 31 U.S.C. § 3512(c), (d), commonly known as

the Federal Managers' Financial Integrity Act (FMFIA).

We conducted our audits in accordance with U.S. generally accepted

government auditing standards. We believe that the audit evidence we

obtained is sufficient and appropriate to provide a basis for our audit

opinions.

Management's Responsibility:

OFS management is responsible for (1) the preparation and fair

presentation of these financial statements in accordance with U.S.

generally accepted accounting principles; (2) preparing, measuring, and

presenting the RSI in accordance with U.S. generally accepted

accounting principles; (3) preparing and presenting other information

included in documents containing the audited financial statements and

auditor's report, and ensuring the consistency of that information with

the audited financial statements and the RSI; (4) maintaining effective

internal control over financial reporting, including the design,

implementation, and maintenance of internal control relevant to the

preparation and fair presentation of financial statements that are free

from material misstatement, whether due to fraud or error; (5)

evaluating the effectiveness of internal control over financial

reporting based on the criteria established under FMFIA; and (6)

providing its assertion about the effectiveness of internal control

over financial reporting as of September 30, 2013, based on its

evaluation, included in the accompanying Management's Report on

Internal Control over Financial Reporting in appendix I.

Auditor's Responsibility:

Our responsibility is to express an opinion on these financial

statements and an opinion on OFS's internal control over financial

reporting for TARP based on our audits. U.S. generally accepted

government auditing standards require that we plan and perform the

audits to obtain reasonable assurance about whether the financial

statements are free from material misstatement, and whether effective

internal control over financial reporting was maintained in all

material respects. We are also responsible for applying certain limited

procedures to the RSI and other information included with the financial

statements.

An audit of financial statements involves performing procedures to

obtain audit evidence about the amounts and disclosures in the

financial statements. The procedures selected depend on the auditor's

judgment, including the auditor's assessment of the risks of material

misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal

control relevant to the entity's preparation and fair presentation of

the financial statements in order to design audit procedures that are

appropriate in the circumstances. An audit of financial statements also

involves evaluating the appropriateness of the accounting policies used

and the reasonableness of significant accounting estimates made by

management, as well as evaluating the overall presentation of the

financial statements. An audit of internal control over financial

reporting includes obtaining an understanding of internal control over

financial reporting, assessing the risk that a material weakness

exists, evaluating the design and operating effectiveness of internal

control over financial reporting based on the assessed risk, and

testing relevant internal control over financial reporting. Our audit

of internal control also considered the entity's process for evaluating

and reporting on internal control over financial reporting based on

criteria established under FMFIA. Our audits also included performing

such other procedures as we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operating

objectives as broadly established under FMFIA, such as those controls

relevant to preparing performance information and ensuring efficient

operations. We limited our internal control testing to testing controls

over financial reporting. Our internal control testing was for the

purpose of expressing an opinion on whether effective internal control

over financial reporting was maintained, in all material respects.

Consequently, our audit may not identify all deficiencies in internal

control over financial reporting that are less severe than a material

weakness.[Footnote 4]

Definitions and Inherent Limitations of Internal Control over Financial

Reporting:

An entity's internal control over financial reporting is a process

effected by those charged with governance, management, and other

personnel, the objectives of which are to provide reasonable assurance

that (1) transactions are properly recorded, processed, and summarized

to permit the preparation of financial statements in accordance with

U.S. generally accepted accounting principles, and assets are

safeguarded against loss from unauthorized acquisition, use, or

disposition, and (2) transactions are executed in accordance with laws

governing the use of budget authority and with other applicable laws,

regulations, contracts, and grant agreements that could have a direct

and material effect on the financial statements.

Because of its inherent limitations, internal control over financial

reporting may not prevent, or detect and correct, misstatements due to

fraud or error. We also caution that projecting any evaluation of

effectiveness to future periods is subject to the risk that controls

may become inadequate because of changes in conditions, or that the

degree of compliance with the policies or procedures may deteriorate.

Opinion on Financial Statements:

In our opinion, OFS's financial statements for TARP present fairly, in

all material respects, TARP's financial position as of September 30,

2013, and 2012, and its net cost of operations, changes in net

position, and budgetary resources for the fiscal years then ended in

accordance with U.S. generally accepted accounting principles.

Emphasis of Matters:

Valuation of TARP's Direct Loans, Equity Investments, and Asset

Guarantee Program:

As discussed in notes 2 and 6 to OFS's financial statements for TARP,

the valuation of TARP's direct loans, equity investments, and asset

guarantee program is based on estimates using economic and financial

credit subsidy models. The estimates use entity-specific as well as

relevant market data as the basis for assumptions about future

performance, and incorporate an adjustment for market risk to reflect

the variability around any unexpected losses. In valuing the direct

loans, the equity investments, and the asset guarantee program, OFS

management considered and selected assumptions and data that it

believed provided a reasonable basis for the estimated subsidy

allowance and related subsidy cost or income reported in the financial

statements.[Footnote 5] However, there are numerous factors that

affect these assumptions and estimates, which are inherently subject

to substantial uncertainty arising from the likelihood of future

changes in general economic, regulatory, and market conditions. The

estimates have an added uncertainty resulting from the unique nature

of certain TARP assets. As such, there will be differences between the

net estimated values of the direct loans, equity investments, and

asset guarantee program as of September 30, 2013, and 2012 (which

totaled $17.9 billion and $41.2 billion, respectively) and the amounts

that OFS will ultimately realize from these assets, and such

differences may be material. These differences will also affect TARP's

ultimate cost. Further, TARP's ultimate cost will change as OFS

continues to incur costs relating to its Treasury Housing Programs.

[Footnote 6]

TARP Reporting Entity:

As discussed in note 1 to the financial statements, while OFS's

financial statements for TARP reflect activity of OFS in implementing

TARP, including providing resources to various entities to help

stabilize the financial markets, the statements do not include the

assets, liabilities, or results of operations of these entities in

which OFS has a significant equity interest. According to OFS

officials, OFS's investments were not made to engage in the business

activities of the respective entities, and OFS has determined that none

of these entities meet the criteria for a federal entity.

Our opinion on OFS's financial statements for TARP is not modified with

respect to these matters.

Opinion on Internal Control over Financial Reporting:

In our opinion, OFS maintained, in all material respects, effective

internal control over financial reporting for TARP as of September 30,

2013, based on criteria established under FMFIA.

During our fiscal year 2013 audit, we identified deficiencies in OFS's

internal control over financial reporting that we do not consider to be

material weaknesses or significant deficiencies.[Footnote 7]

Nonetheless, these deficiencies warrant OFS management's attention. We

have communicated these matters to OFS management and, where

appropriate, will report on them separately.

Other Matters:

Required Supplementary Information:

U.S. generally accepted accounting principles issued by the Federal

Accounting Standards Advisory Board (FASAB) require that RSI be

presented to supplement the financial statements.[Footnote 8] Although

not a part of the financial statements, FASAB considers this

information to be an essential part of financial reporting for placing

the financial statements in appropriate operational, economic, or

historical context. We have applied certain limited procedures to the

RSI in accordance with U.S. generally accepted government auditing

standards, which consisted of inquiries of management about the

methods of preparing the RSI and comparing the information for

consistency with management's responses to the auditor's inquiries,

the financial statements, and other knowledge we obtained during the

audit of the financial statements, in order to report omissions or

material departures from FASAB guidelines, if any, identified by these

limited procedures. We did not audit and we do not express an opinion

or provide any assurance on the RSI because the limited procedures we

applied do not provide sufficient evidence to express an opinion or

provide any assurance.

Other Information:

OFS's other information contains a wide range of information, some of

which is not directly related to the financial statements.[Footnote 9]

This information is presented for purposes of additional analysis and

is not a required part of the financial statements or RSI. We read the

other information included with the financial statements in order to

identify material inconsistencies, if any, with the audited financial

statements. Our audit was conducted for the purpose of forming an

opinion on OFS's financial statements for TARP. We did not audit and do

not express an opinion or provide any assurance on the other

information.

Report on Compliance with Laws, Regulations, Contracts, and Grant

Agreements:

In connection with our audits of OFS's financial statements for TARP,

we tested compliance with selected provisions of applicable laws,

regulations, contracts, and grant agreements consistent with our

auditor's responsibility discussed below. We caution that noncompliance

may occur and not be detected by these tests. We performed our tests of

compliance in accordance with U.S. generally accepted government

auditing standards.

Management's Responsibility:

OFS management is responsible for complying with laws, regulations,

contracts, and grant agreements applicable to OFS.

Auditor's Responsibility:

Our responsibility is to test compliance with selected provisions of

laws, regulations, contracts, and grant agreements applicable to OFS

that have a direct effect on the determination of material amounts and

disclosures in the TARP financial statements, and perform certain other

limited procedures. Accordingly, we did not test compliance with all

laws, regulations, contracts, and grant agreements applicable to OFS.

Results of Our Tests for Compliance with Laws, Regulations, Contracts,

and Grant Agreements:

Our tests for compliance with selected provisions of applicable laws,

regulations, contracts, and grant agreements disclosed no instances of

noncompliance for fiscal year 2013 that would be reportable under U.S.

generally accepted government auditing standards. However, the

objective of our tests was not to provide an opinion on compliance with

laws, regulations, contracts, and grant agreements applicable to OFS.

Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations,

Contracts, and Grant Agreements:

The purpose of this report is solely to describe the scope of our

testing of compliance with selected provisions of applicable laws,

regulations, contracts, and grant agreements, and the results of that

testing, and not to provide an opinion on compliance. This report is an

integral part of an audit performed in accordance with U.S. generally

accepted government auditing standards in considering compliance.

Accordingly, this report on compliance with laws, regulations,

contracts, and grant agreements is not suitable for any other purpose.

Agency Comments:

In commenting on a draft of this report, the Assistant Secretary for

Financial Stability stated that OFS is proud to receive unmodified

opinions on its financial statements and its internal control over

financial reporting. He also stated that OFS is committed to

maintaining the high standards and transparency reflected in these

audit results. The complete text of OFS's comments is reprinted in its

entirety in appendix II.

Signed by:

Gary T. Engel:

Director:

Financial Management and Assurance:

December 5, 2013:

[End of section]

Appendix I: Management's Report on Internal Control Over Financial

Reporting:

Department Of The Treasury:

Assistant Secretary:

Washington, D.C. 20220:

Management's Report on Internal Control Over Financial Reporting:

The Office of Financial Stability's (OFS) internal control over

financial reporting (for TARP) is a process effected by those charged

with governance, management, and other personnel, the objectives of

which are to provide reasonable assurance that (1) transactions are

properly recorded, processed, and summarized to permit the preparation

of financial statements in accordance with U.S. generally accepted

accounting principles, and assets are safeguarded against loss from

unauthorized acquisition, use, or disposition; and (2) transactions are

executed in accordance with laws governing the use of budget authority

and with other applicable laws, regulations, contracts, and grant

agreements that could have a direct and material effect on the

financial statements.

OFS management is responsible for maintaining effective internal

control over financial reporting, including the design, implementation,

and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material

misstatement, whether due to fraud or error. OFS management evaluated

the effectiveness of OFS's internal control over financial reporting as

of September 30, 2013, based on the criteria established under 31

U.S.C. 3512(c), (d) (commonly known as the Federal Managers' Financial

Integrity Act).

Based on that evaluation, we conclude that, as of September 30, 2013,

OFS's internal control over financial reporting was effective.

Signed by:

Timothy G. Massad:

Assistant Secretary for Financial Stability:

Office of Financial Stability:

Signed by:

Lorenzo Rasetti:

Chief Financial Officer:

December 5, 2013:

[End of section]

Appendix II: OFS Response to Auditor's Report:

Department Of The Treasury:

Assistant Secretary:

Washington, D.C. 20220:

December 5, 2013:

Mr. Gary T. Engel:

Director, Financial Management and Assurance:

U.S. Government Accountability Office:

441 G Street, N.W.

Washington, DC 20548:

Dear Mr. Engel:

We have reviewed the Independent Auditor's Report concerning your audit

of the Office of Financial Stability's (OFS) fiscal year 2013 financial

statements. OFS is proud to receive unmodified opinions on our

financial statements and our internal controls over financial

reporting.

We appreciate the professionalism and commitment demonstrated by your

staff throughout the audit process. The process was valuable for us and

resulted in concrete improvements in our operations and financial

management efforts.

OFS is committed to maintaining the high standards and transparency

reflected in these audit results as we carry out our responsibilities

for managing the Troubled Asset Relief Program.

Sincerely,

Signed by:

Timothy G. Massad:

Assistant Secretary for Financial Stability:

[End of section]

Financial Statements:

The Office of Financial Stability (OFS) prepares financial statements

for the Troubled Asset Relief Program (TARP) as a critical aspect of

ensuring the accountability and stewardship for the public resources

entrusted to it and as required by Section 116 of the Emergency

Economic Stabilization Act of 2008 (EESA). Preparation of these

statements is also an important part of the OFS's financial management

goal of providing accurate and reliable information that may be used to

assess performance and allocate resources. The OFS management is

responsible for the accuracy and propriety of the information contained

in the financial statements and the quality of internal controls. The

statements are, in addition to other financial reports, used to monitor

and control budgetary resources. The OFS prepares these financial

statements from its books and records in conformity with the accounting

principles generally accepted in the United States for federal entities

and the formats prescribed by the Office of Management and Budget

(OMB).

While these financial statements reflect activity:

of the OFS in executing its programs, including providing resources to

various entities to help stabilize the financial markets, they do not

include, as more fully discussed in Note 1, the assets, liabilities, or

results of operations of commercial entities in which the OFS has a

significant equity interest.

The Balance Sheet summarizes the OFS assets, liabilities and net

position as of September 30, 2013 and 2012. Intragovernmental assets

and liabilities resulting from transactions between federal agencies

are presented separately from assets and liabilities resulting from

transactions with the public.

The Statement of Net Cost presents the net cost of (income from)

operations for the years ended September 30, 2013 and 2012.

The Statement of Changes in Net Position presents the change in OFS's

net position for two components, Cumulative Results of Operations and

Unexpended Appropriations, for the years ended September 30, 2013 and

2012. The ending balances of both components of net position are also

reported on the Balance Sheet.

The Statement of Budgetary Resources provides information about funding

and availability of budgetary resources and the status of those

resources for the years ended September 30, 2013 and 2012.

The accompanying notes are an integral part of these financial

statements.

Office of Financial Stability (Troubled Asset Relief Program):

Balance Sheet:

As of September 30, 2013 and 2012 (Dollars in Millions):

Assets:

Intragovernmental Assets:

Fund Balance with Treasury (Note 3);

2013: $53,240;

2012: $75,495.

Asset Guarantee Program (Note 6);

2013: [Empty];

2012: $967.

Other;

2013: $1;

2012: $1.

Total Intragovernmental Assets;

2013: $53,241;

2012: $76,463.

Cash on Deposit for Housing Program (Note 4):

2013: $50;

2012: $50.

Troubled Asset Relief Program:

Direct Loans and Equity Investments, Net (Note 6);

2013: $18,769;

2012: $40,231.

Total Assets;

2013: $71,160;

2012: $116,744.

Liabilities:

Intragovernmental Liabilities:

Accounts Payable and Other Liabilities;

2013: $1;

2012: $2.

Due to the General Fund (Note 7);

2013: $8,139;

2012: $9,714.

Principal Payable to the Bureau of the Public Debt (Note 8);

2013: $11,949;

2012: $52,828.

Total Intragovernmental Liabilities;

2013: $20,089;

2012: $62,544.

Accounts Payable and Other Liabilities;

2013: $87;

2012: $87.

Liability for Treasury Housing Programs Under TARP:

FHA - Refinance Program (Notes 5 and 6);

2013: $9;

2012: $7.

Making Home Affordable Program and Hardest Hit Fund (Note 5);

2013: $263;

2012: $241.

Total Intragovernmental Liabilities;

2013: $20,448;

2012: $62,879.

Commitments and Contingencies (Note 9):

Net Position:

Unexpended Appropriations;

2013: $50,663;

2012: $54,572.

Cumulative Results of Operations;

2013: $49;

2012: ($707).

Total Net Position;

2013: $50,712;

2012: $53,865.

Total Liabilities and Net Position;

2013: $71,160.

2012: $116,744.

[End of table]

Statement Of Net Cost:

For the Years Ended September 30, 2013 and 2012 (Dollars in Millions):

Strategic Goal: To Ensure The Overall Stability And Liquidity Of The

Financial System, Prevent Avoidable Foreclosures And Preserve

Homeownership:

Gross Cost of (Income from) Operations:

Program Subsidy Cost (Income) (Note 6):

Direct Loan and Equity Investment Programs;

2013: ($11,794);

2012: ($10,778).

Other Credit Programs;

2013: ($116);

2012: ($201).

Total Program Subsidy Cost (Income);

2013: ($11,910);

2012: ($10,979).

Interest Expense on Borrowings from the Bureau of the Public Debt

(Note 10);

2013: $856;

2012: $2,252.

Treasury Housing Programs Under TARP (Note 5);

2013: $3,961;

2012: $2,963.

Administrative Cost;

2013: $248;

2012: $268.

Total Gross Cost of (Income from) Operations;

2013: ($6,845);

2012: ($5,496).

Earned Revenue:

Dividend and Interest Income - Programs (Note 6);

2013: ($1,292);

2012: ($2,733).

Interest Income on Financing Account (Note 10);

2013: ($235);

2012: ($605).

Subsidy Allowance Amortization (Note 10);

2013: $671;

2012: $1,086.

Total Earned Revenue;

2013: ($856);

2012: ($2,252).

Total Net Cost of (Income from) Operations;

2013: ($7,701);

2012: ($7,748).

[End of table]

Statement Of Changes In Net Position:

For the Years Ended September 30, 2012 and 2011 (Dollars in Millions):

Beginning Balances:

2013 Unexpended Appropriations: $54,572;

2013 Cumulative Results of Operations: ($707);

2012 Unexpended Appropriations: $57,544;

2012 Cumulative Results of Operations: ($27,836).

Budgetary Financing Sources:

Appropriations Received:

2013 Unexpended Appropriations: $788;

2013 Cumulative Results of Operations: 0;

2012 Unexpended Appropriations: $27,593);

2012 Cumulative Results of Operations: 0.

Appropriations Used:

2013 Unexpended Appropriations: ($4,697);

2013 Cumulative Results of Operations: $4,697;

2012 Unexpended Appropriations: ($30,565);

2012 Cumulative Results of Operations: $30,565.

Other Financing Sources:

2013 Unexpended Appropriations: 0;

2013 Cumulative Results of Operations: ($6,945);

2012 Unexpended Appropriations: 0;

2012 Cumulative Results of Operations: ($11,184).

Total Financing Sources:

2013 Unexpended Appropriations: ($3,909);

2013 Cumulative Results of Operations: $756;

2012 Unexpended Appropriations: ($2,972);

2012 Cumulative Results of Operations: $19,381.

Net (Cost of) Income from Operations;

2013 Unexpended Appropriations: 0;

2013 Cumulative Results of Operations: $7,701;

2012 Unexpended Appropriations: 0;

2012 Cumulative Results of Operations: $7,748.

Net Change:

2013 Unexpended Appropriations: ($3,909);

2013 Cumulative Results of Operations: $756;

2012 Unexpended Appropriations: ($2,972);

2012 Cumulative Results of Operations: $27,129.

Ending Balances:

2013 Unexpended Appropriations: $50,663;

2013 Cumulative Results of Operations: $49;

2012 Unexpended Appropriations: $54,572;

2012 Cumulative Results of Operations: ($707).

[End of table]

Statement Of Budgetary Resources:

For the Years Ended September 30, 2013 and 2012 (Dollars in Millions):

Budgetary Resources:

Unobligated Balances Brought Forward:

2013:

Budgetary Accounts: $14,350;

Nonbudgetary Financing Accounts: $17,631;

2012:

Budgetary Accounts: $14,166;

Nonbudgetary Financing Accounts: $21,143.

Recoveries of Prior Year Unpaid Obligations;

2013:

Budgetary Accounts: $7,246;

Nonbudgetary Financing Accounts: $4,941;

2012:

Budgetary Accounts: $146;

Nonbudgetary Financing Accounts: $6,114.

Borrowing Authority Withdrawn;

2013:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: ($2,611);

2012:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: ($5,832).

Actual Repayments of Debt, Prior Year Balances;

2013:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: ($17,738);

2012:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: ($19,900).

Appropriations:

2013:

Budgetary Accounts: $788;

Nonbudgetary Financing Accounts: 0;

2012:

Budgetary Accounts: $27,593;

Nonbudgetary Financing Accounts: 0.

Borrowing Authority:

2013:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: $208;

2012:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: $2,659.

Spending Authority from Offsetting Collections;

2013:

Budgetary Accounts: $1;

Nonbudgetary Financing Accounts: $13,131;

2012:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: $21,695.

Total Budgetary Resources (Note 11):

2013:

Budgetary Accounts: $22,385;

Nonbudgetary Financing Accounts: $15,562;

2012:

Budgetary Accounts: $41,905;

Nonbudgetary Financing Accounts: $25,879.

Status Of Budgetary Resources:

Obligations Incurred:

2013:

Budgetary Accounts: $779;

Nonbudgetary Financing Accounts: $14,100;

2012:

Budgetary Accounts: $27,555;

Nonbudgetary Financing Accounts: $8,248.

Unobligated Balance, Apportioned:

2013:

Budgetary Accounts: $11;

Nonbudgetary Financing Accounts: $668;

2012:

Budgetary Accounts: $41;

Nonbudgetary Financing Accounts: $3,946.

Unapportioned:

2013:

Budgetary Accounts: $21,595;

Nonbudgetary Financing Accounts: $794;

2012:

Budgetary Accounts: $14,309;

Nonbudgetary Financing Accounts: $13,685.

Total Unobligated Balance:

2013:

Budgetary Accounts: $21,606;

Nonbudgetary Financing Accounts: $1,462;

2012:

Budgetary Accounts: $14,350;

Nonbudgetary Financing Accounts: $17,631.

Total Status Of Budgetary Resources:

2013:

Budgetary Accounts: $22,385;

Nonbudgetary Financing Accounts: $15,562;

2012:

Budgetary Accounts: $41,905;

Nonbudgetary Financing Accounts: $25,879.

Change In Obligated Balances:

Obligated Balance Brought Forward:

Unpaid Obligations Brought Forward October 1:

2013:

Budgetary Accounts: $40,548;

Nonbudgetary Financing Accounts: $5,926;

2012:

Budgetary Accounts: $43,814;

Nonbudgetary Financing Accounts: $13,158.

Obligations Incurred:

2013:

Budgetary Accounts: $779;

Nonbudgetary Financing Accounts: $14,100;

2012:

Budgetary Accounts: $27,555;

Nonbudgetary Financing Accounts: $8,248.

Gross Outlays:

2013:

Budgetary Accounts: ($4,675);

Nonbudgetary Financing Accounts: ($14,092);

2012:

Budgetary Accounts: ($30,675);

Nonbudgetary Financing Accounts: ($9,366).

Recoveries of Prior Year Unpaid Obligations:

2013:

Budgetary Accounts: ($7,246);

Nonbudgetary Financing Accounts: ($4,941);

2012:

Budgetary Accounts: ($146);

Nonbudgetary Financing Accounts: ($6,114).

Obligated Balance, Net, End of Year:

Unpaid Obligations, End of Year:

2013:

Budgetary Accounts: $29,406;

Nonbudgetary Financing Accounts: $993;

2012:

Budgetary Accounts: $40,548;

Nonbudgetary Financing Accounts: $5,926.

Uncollected Customer Payments from Federal Sources:

2013:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: ($226);

2012:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: ($349).

Obligated Balance, Net, End of Year:

2013:

Budgetary Accounts: $29,406;

Nonbudgetary Financing Accounts: $767;

2012:

Budgetary Accounts: $40,548;

Nonbudgetary Financing Accounts: $5,577.

Budget Authority and Outlays, Net:

Budget Authority, Gross:

2013:

Budgetary Accounts: $789;

Nonbudgetary Financing Accounts: $13,339;

2012:

Budgetary Accounts: $27,593;

Nonbudgetary Financing Accounts: $24,354.

Actual Offsetting Collections:

2013:

Budgetary Accounts: ($1);

Nonbudgetary Financing Accounts: ($36,604);

2012:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: ($81,269).

Change in Uncollected Customer Payments from Federal Sources:

2013:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: $123;

2012:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: $147.

Budget Authority, Net;

2013:

Budgetary Accounts: $788;

Nonbudgetary Financing Accounts: ($23,142);

2012:

Budgetary Accounts: $27,593;

Nonbudgetary Financing Accounts: ($56,768).

Gross Outlays;

2013:

Budgetary Accounts: $4,675;

Nonbudgetary Financing Accounts: $14,092;

2012:

Budgetary Accounts: $30,675;

Nonbudgetary Financing Accounts: $9,366.

Actual Offsetting Collections:

2013:

Budgetary Accounts: ($1);

Nonbudgetary Financing Accounts: ($36,604);

2012:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: ($81,269).

Net Outlays:

2013:

Budgetary Accounts: $4,674;

Nonbudgetary Financing Accounts: ($22,512);

2012:

Budgetary Accounts: $30,675;

Nonbudgetary Financing Accounts: ($71,903).

Distributed Offsetting Receipts;

2013:

Budgetary Accounts: ($13,218);

Nonbudgetary Financing Accounts: 0;

2012:

Budgetary Accounts: ($6,063);

Nonbudgetary Financing Accounts: 0.

Agency Outlays, Net:

2013:

Budgetary Accounts: ($8,544);

Nonbudgetary Financing Accounts: 0;

2012:

Budgetary Accounts: $24,612;

Nonbudgetary Financing Accounts: ($71,903).

[End of table]

Notes To The Financial Statements:

Note 1. Reporting Entity:

The Troubled Asset Relief Program (TARP) was authorized by the

Emergency Economic Stabilization Act of 2008, as amended (EESA or "the

Act"). The Act gave the Secretary of the Treasury (the Secretary) broad

and flexible authority to establish the TARP to purchase and insure

mortgages and other troubled assets, which permitted the Secretary to

inject capital into banks and other commercial companies by taking

equity positions in those entities to help stabilize the financial

markets.

The EESA established certain criteria under which the TARP would

operate, including provisions that impact the budgeting, accounting,

and reporting of troubled assets acquired under the Act. Section 115:

of the EESA limited the authority of the Secretary to purchase troubled

assets up to $700.0 billion outstanding at any one time, calculated as

the aggregate purchase prices of all troubled assets held. In July

2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act

amended Section 115 of the EESA, limiting the TARP's authority to a

total of $475.0 billion cumulative obligations (i.e. purchases and

guarantees) and prohibiting any new obligations for programs or

initiatives that had not been publicly announced prior to June 25,

2010. Of the maximum $475.0 billion authority under the EESA, OFS had

utilized (including purchases made, legal commitments to make purchases

and offsets for guarantees made) $456.6 billion as of September 30,

2013 and $467.0 billion as of September 30, 2012. The reduction between

2013 and 2012 reflects the deobligation of unused funds in certain

programs.

The TARP developed the following programs: the Capital Purchase Program

(CPP); the Community Development Capital Initiative (CDCI); the Public-

Private Investment Program (PPIP); the Term Asset-Backed Securities

Loan Facility (TALF); the SBA 7(a) Securities Purchase Program (SBA

7(a)); the Automotive Industry Financing Program (AIFP); the American

International Group, Inc. (AIG) Investment Program (formerly known as

the Systemically Significant Failing Institutions Program); the Asset

Guarantee Program (AGP); and the Treasury Housing Programs Under TARP

(see Notes 5 and 6 for details regarding all of these programs).

While these financial statements reflect the activity of the OFS in

executing its programs, including providing resources to various

entities to help stabilize the financial markets, they do not include

the assets, liabilities, or results of operations of commercial

entities in which the OFS has a significant equity interest. Through

the purchase of troubled assets, the OFS entered into several different

types of direct loan, equity investment, and other credit programs

(which consist of the AGP and the Federal Housing Administration (FHA)

Refinance Program) (collectively, the OFS programs) with private

entities. The OFS programs were entered into with the intent of helping

to stabilize the financial markets and mitigating, as best as possible,

any adverse impact on the economy; they were not entered into to engage

in the business activities of the respective private entities. Based on

this intent, the OFS concluded that such programs are considered

"bailouts," under the provisions of paragraph 50 of Statement of

Federal Financial Accounting Concepts (SFFAC) No. 2, Entity and

Display. In addition, these entities are not included in the Federal

budget and, therefore, do not meet the conclusive criteria in SFFAC No.

2. As such, the OFS determined that none of these entities should be

classified as a federal entity. Consequently, their assets, liabilities

and results of operations were not consolidated in these OFS financial

statements, but the value of such investments was recorded in the OFS

financial statements.

In addition, the OFS has made loans and investments in certain Special

Purpose Vehicles (SPV)[Footnote 4]. SFFAC No. 2, paragraphs 43 and 44,

reference indicative criteria such as ownership and control to carry

out government powers and missions, as criteria in the determination

about whether an entity should be classified as a federal entity. The

OFS has concluded that none of the SPVs meet the conclusive or

indicative criteria to be classified as a federal entity. As a result,

the assets, liabilities and results of operations of the SPVs are not

included in these OFS financial statements. Additional disclosures

regarding certain SPV investments are included in Notes 2 and 6; see

PPIP, TALF and AIG Investment Program.

The EESA established the OFS within the Office of Domestic Finance of

the U. S. Department of the Treasury (Treasury) to administer the TARP

and required its separate audited financial statements. The OFS

prepares stand-alone financial statements for TARP to satisfy EESA

Section 116(b)(1). Additionally, as an office of the Treasury, its

financial statements are consolidated into Treasury's Agency Financial

Report.

Note 2. Summary Of Significant Accounting Policies:

Basis of Accounting and Presentation:

The accompanying financial statements include the results of operations

of the TARP and have been prepared from the accounting records of the

OFS in conformity with accounting principles generally accepted in the

United States for federal entities (Federal GAAP), and the OMB Circular

A-136, Financial Reporting Requirements, as amended. Federal GAAP

includes the standards issued by the Federal Accounting Standards

Advisory Board (FASAB). The FASAB is recognized by the American

Institute of Certified Public Accountants (AICPA) as the official

accounting standards-setting body for the U.S. Government.

Section 123(a) of the EESA requires that the budgetary cost of

purchases of troubled assets and guarantees of troubled assets, and any

cash flows associated with authorized activities, be determined in

accordance with the Federal Credit Reform Act of 1990 (FCRA). Section

123(b) (1) of the EESA requires that the budgetary costs of troubled

assets and guarantees of troubled assets be calculated by adjusting the

discount rate for market risks. As a result of this requirement, the

OFS considered market risk in its calculation and determination of the

estimated net present value of its direct loans, equity investments and

other credit programs for budgetary purposes. Similarly, market risk is

considered in the valuations for financial reporting purposes (see Note

6 for further discussion).

Consistent with its accounting policy for equity investments in private

entities, including SPVs, the OFS accounts for its equity investments

at fair value. Since fair value is not defined in federal accounting

standards as established in Statement of Federal Financial Accounting

Standards (SFFAS) No. 34, The Hierarchy of Generally Accepted

Accounting Principles, Including the Application of Standards Issued by

the Financial Accounting Standards Board, the OFS conforms to fair

value definitions contained in the private sector Financial Accounting

Standards Codification (ASC) 820, Fair Value Measurement. OFS defines

fair value of its equity investments as the estimated amount of

proceeds that would be received if the equity investments were sold to

a market participant in an orderly transaction. Note 6 presents Direct

Loan and Equity Investments and the Asset Guarantee Program receivable

tabulated by the Level of Observation of the inputs used in the

valuation process. Level 1 assets are measured using quoted market

prices for identical assets. Level 2 assets are measured using

observable market inputs other than direct market quotes. Level 3

assets are measured using unobservable inputs.

The OFS uses the present value accounting concepts embedded in SFFAS

No. 2, Accounting for Direct Loans and Loan Guarantees, as amended

(SFFAS No. 2), to derive fair value measurements for its equity

investments in Levels 2 and 3. The OFS concluded that some of the

equity investments, such as preferred stock, were similar to direct

loans since there was a stated rate and a redemption feature which, if

elected, required repayment of the amount invested. Furthermore,

consideration of market risk provided a basis to arrive at a fair value

measurement. Therefore, the OFS concluded that SFFAS No. 2 (as more

fully discussed below) should be followed for reporting and disclosure

requirements of its equity investments.

The OFS applies the provisions of FCRA for budgetary accounting and the

associated FASAB accounting standard SFFAS No. 2 for financial

reporting for direct loans and other credit programs. Direct loans

disbursed and outstanding are recognized as assets at the net present

value of their estimated future cash flows. Outstanding asset

guarantees are recognized as liabilities or assets at the net present

value of their estimated future cash flows. Liabilities under the FHA-

Refinance Program are recognized at the net present value of their

estimated future cash flows when the FHA guarantees loans.

For direct loans and equity investments, the subsidy allowance account

represents the difference between the face value of the outstanding

direct loan and equity investment balance and the net present value of

the expected future cash flows or fair value, and is reported as an

adjustment to the face value of the direct loan or equity investment.

The OFS recognizes dividend income associated with equity investments

when declared by the entity in which the OFS has invested and when

received in relation to any repurchases, exchanges and restructurings.

The OFS recognizes interest income when earned on performing loans;

interest income is not accrued on non-performing loans. The OFS

reflects changes, referred to as reestimates, in its determination of

the value of direct loans, equity investments, and other credit

programs in the subsidy cost on the Statement of Net Cost annually.

In certain programs, the OFS has received common stock warrants,

additional preferred stock (referred to as warrant preferred stock) or

additional notes as additional consideration. The OFS accounts for any

proceeds received from the sale of these investments as fees under

SFFAS No. 2; as such, they are credited to the subsidy allowance rather

than to income.

Use of Estimates:

The OFS has made certain estimates and assumptions relating to the

reporting of assets, liabilities, revenues, and cost to prepare these

financial statements. Actual results could significantly differ from

these estimates. Major financial statement lines that include estimates

are Direct Loans and Equity Investments, Net, the Asset Guarantee

Program and the Liabilities for Treasury Housing Programs Under TARP on

the Balance Sheet, and related Program Subsidy Cost (Income) on the

Statement of Net Cost (see Note 6).

The most significant differences between actual results and estimates

may occur in the valuation of OFS programs. These valuation estimates

are sensitive to slight changes in model assumptions, such as general

economic conditions, specific stock price volatility of the entities in

which the OFS has an equity interest, estimates of expected default,

and prepayment rates. Forecasts of future financial results have

inherent uncertainty, and the Direct Loans and Equity Investments, Net

and Asset Guarantee Program line items, as of fiscal year ends,

primarily reflect relatively illiquid assets with values that are

sensitive to future economic conditions and other assumptions.

Estimates are also prepared for the FHA-Refinance Program to determine

the liability for losses.

Credit Reform Accounting:

The OFS accounts for the cost of direct loans, equity investments and

other credit programs in accordance with Section 123(a) of the EESA and

the FCRA for budgetary accounting, and fair value and SFFAS No. 2 for

financial reporting. The FCRA calls for the establishment of program,

financing and general fund receipt accounts to segregate and report

receipts and disbursements. These accounts are classified as either

budgetary or non-budgetary in the Statement of Budgetary Resources. The

OFS maintains budgetary program accounts which receive appropriations

and obligate funds to cover the subsidy cost of direct loans, equity

investments and other credit programs, and disburses the subsidy cost

to the OFS financing accounts. The financing accounts are non-budgetary

accounts that are used to record all of the cash flows resulting from

the OFS direct loans, equity investments and other credit programs.

Cash flows include disbursements, borrower repayments, repurchases,

fees, recoveries, interest, dividends, proceeds from the sale of stock

and warrants, borrowings from and repayments to Treasury, negative

subsidy and the subsidy cost received from the program accounts, as

well as subsidy reestimates and modifications.

Financing arrangements specifically for the TARP activities are

provided for in EESA as follows: (1) borrowing for program funds under

Section 118, reported as "appropriations" in these financial statements

and (2) borrowing by financing accounts for amounts not covered by

subsidy cost, under the FCRA and Section 123. The OFS uses budgetary

general fund receipt accounts to record the receipt of amounts paid

from the financing accounts when there is a negative subsidy or

negative modification (a reduction in subsidy cost due to changes in

program policy or terms that change estimated future cash flows) from

the original estimate or a downward reestimate. Any assets in these

accounts are non-entity assets, not available to the OFS, and are

offset by intragovernmental liabilities. At the end of the fiscal year,

the fund balance transferred to the U.S. Treasury through the general

fund receipt accounts is not included in the OFS's reported Fund

Balance with Treasury.

SFFAS No. 2 requires that the actual and expected costs of federal

credit programs be fully recognized in financial reporting. The OFS

calculated and recorded initial estimates of the future performance of

direct loans, equity investments, and other credit programs. The data

used for these estimates were reestimated annually, at fiscal year end,

to reflect adjustments for market risk, asset performance, and other

key variables and economic factors. The reestimate data were then used

to estimate and report the "Program Subsidy Cost (Income)" in the

Statement of Net Cost. A detailed discussion of the OFS subsidy

calculation and reestimate assumptions, process and results is provided

in Note 6.

Fund Balance with Treasury:

The Fund Balance with Treasury includes general, financing and other

funds available to pay current liabilities and finance authorized

purchases. Cash receipts and disbursements are processed by the

Treasury, and the OFS's records are reconciled with those of the

Treasury on a regular basis.

Available unobligated balances represent amounts that are apportioned

for obligation in the current fiscal year. Unavailable unobligated

balances represent unanticipated collections in excess of the amounts

apportioned which are unavailable. Obligated balances not yet disbursed

include undelivered orders and unpaid expended authority. See Note 3.

Direct Loans and Equity Investments, Net:

Direct Loans and Equity Investments, Net represents the estimated net

outstanding amount of the OFS direct loans and equity investments. The

direct loan and equity investment balances have been determined in

accordance with the provisions of SFFAS No. 2 or at fair value (see

Note 6). Write-offs of gross direct loan and equity investment balances

(presented in Note 6 table) are recorded when a legal event occurs,

such as a bankruptcy with no further chance of recovery or

extinguishment of a debt instrument by agreement. Under SFFAS No. 2,

write-offs do not affect the Statement of Net Cost because the written-

off asset is fully reserved. Therefore, the write-off removes the asset

balance and the associated subsidy allowance.

Asset Guarantee Program:

During fiscal year 2010, the OFS and the Federal Deposit Insurance

Corporation (FDIC) entered into a termination agreement with the Asset

Guarantee Program's sole participant, Citigroup. As a result, the

Intragovernmental Asset line item, Asset Guarantee Program, remaining

on the Balance Sheet at September 30, 2012 was the estimated value of

certain Citigroup trust preferred securities including dividends

collected, held by the FDIC for the benefit of OFS. Under the

termination agreement, the FDIC transferred those securities to the

OFS, less any losses on FDIC's guarantee of Citigroup debt, in fiscal

year 2013. OFS then sold the securities. See Note 6.

General Property and Equipment:

Equipment with a cost of $50,000 or more per unit and a useful life of

two years or more is capitalized at full cost and depreciated using the

straight-line method over the equipment's useful life. Other equipment

not meeting the capitalization criteria is expensed when purchased.

Software developed for internal use is capitalized and amortized over

the estimated useful life of the software if the cost per project is

greater than $250,000. However, OFS may expense such software if

management concludes that total period costs would not be materially

distorted and the cost of capitalization is not economically prudent.

Based upon these criteria, the OFS reports no capitalized property,

equipment or software on its Balance Sheet as of September 30, 2013 and

2012.

Accounts Payable and Other Liabilities:

Accounts Payable and Other Liabilities are amounts due to

intragovernmental or public entities that are anticipated to be

liquidated during the next operating cycle (within one year from the

balance sheet date).

Due to the General Fund:

Due to the General Fund represents the amount of accrued downward

reestimates not yet funded, related to direct loans, equity investments

and other credit programs as of September 30, 2013 and 2012. See Notes

6 and 7.

Principal Payable to the Bureau of the Fiscal Service:

Principal Payable to the Bureau of the Fiscal Service (Fiscal

Service)(formerly Principal Payable to the Bureau of Public Debt; the

Department of the Treasury combined the functions of the Bureau of

Public Debt and the Financial Management Service into the Fiscal

Service on October 7, 2012) is the net amount due for equity

investments, direct loans and other credit programs funded by

borrowings from the Fiscal Service as of the end of the fiscal year.

Additionally, OFS borrows from the Fiscal Service for payment of

intragovernmental interest and payment of negative subsidy cost to the

general fund, as necessary. See Note 8.

Liabilities for the Treasury Housing Programs Under TARP:

There are three initiatives in the Treasury Housing Programs: the

Making Home Affordable Program, the Housing Finance Agency Hardest-Hit

Fund and the FHA-Refinance Program. The OFS has determined that credit

reform accounting is not applicable to the Treasury Housing Programs

Under TARP except for the FHA-Refinance Program. Therefore, liabilities

for the Making Home Affordable Program and Housing Finance Agency

Hardest-Hit Fund are accounted for in accordance with SFFAS No. 5,

Accounting for Liabilities of the Federal Government. In accordance

with this standard, a liability is recognized for any unpaid amounts

due and payable as of the reporting date. The liability estimate, as of

September 30, 2013 and 2012, is based on information about loan

modifications reported by participating servicers for the Making Home

Affordable Program and participating states for the Housing Finance

Agency Hardest-Hit Fund. See Note 5.

At the end of fiscal year 2010, the OFS entered into a loss-sharing

agreement with the FHA to support a program in which FHA would

guarantee refinancing for borrowers whose homes are worth less than the

remaining amounts owed under their mortgage loans, i.e. "underwater."

The liability for OFS's share of losses was determined under credit

reform accounting and shown as FHA-Refinance Program, one of the

Liabilities for Treasury Housing Programs Under TARP, on the Balance

Sheet. See Notes 4, 5 and 6.

Unexpended Appropriations:

Unexpended Appropriations represents the OFS undelivered orders and

unobligated balances in budgetary appropriated funds as of September

30, 2013 and 2012.

Cumulative Results of Operations:

Cumulative Results of Operations, presented on the Balance Sheet and on

the Statement of Changes in Net Position, represents the net results of

the OFS operations not funded by appropriations or some other source,

such as borrowing authority, from inception through fiscal year end. At

September 30, 2012, OFS had $755 million of unfunded upward reestimates

that resulted in OFS reporting negative Cumulative Results of

Operations. These unfunded upward reestimates were funded in fiscal

year 2013. Cumulative Results of Operations in 2013 and 2012 also

included $50 million reported as Cash on Deposit for Housing Program on

the Balance Sheet, see Note 4.

Other Financing Sources:

The Other Financing Sources line in the Statement of Changes in Net

Position for each year consists primarily of downward reestimates. Each

program's reestimates, upward and downward, are recorded separately,

not netted together.

Leave:

A liability for the OFS employees' annual leave is accrued as it is

earned and reduced as leave is taken. Each year the balance of accrued

annual leave is adjusted to reflect current pay rates as well as

forfeited "use or lose" leave. Amounts are unfunded to the extent

current or prior year appropriations are not available to fund annual

leave earned but not taken. Sick leave and other types of non-vested

leave are expensed as taken. The liability is included in the Balance

Sheet amount for Accounts Payable and Other Liabilities.

Employee Health and Life Insurance and Workers' Compensation Benefits:

The OFS employees may choose to participate in the contributory Federal

Employees Health Benefit and the Federal Employees Group Life Insurance

Programs. The OFS matches a portion of the employee contributions to

each program. Matching contributions are recognized as current

operating expenses.

The Federal Employees' Compensation Act (FECA) provides income and

medical cost protection to covered Federal civilian employees injured

on the job, and employees who have incurred a work-related injury or

occupational disease. Future workers' compensation estimates are

generated from an application of actuarial procedures developed to

estimate the liability for FECA benefits. The actuarial liability

estimates for FECA benefits include the expected liability for death,

disability, medical, and miscellaneous costs for approved compensation

cases. Any FECA amounts relating to OFS employees are expensed as

incurred.

Employee Pension Benefits:

The OFS employees participate in either the Civil Service Retirement

System (CSRS) or the Federal Employees' Retirement System (FERS) and

Social Security. These systems provide benefits upon retirement and in

the event of death, disability or other termination of employment and

may also provide pre-retirement benefits. They may also include

benefits to survivors and their dependents, and may contain early

retirement or other special features. The OFS contributions to

retirement plans and Social Security, as well as imputed costs for

pension and other retirement benefit costs administered by the Office

of Personnel Management, are recognized on the Statement of Net Cost as

Administrative Cost. Federal employee benefits also include the Thrift

Savings Plan (TSP). For FERS employees, a TSP account is automatically

established and the OFS matches employee contributions to the plan,

subject to limitations. The matching contributions are recognized as

Administrative Costs on the Statement of Net Cost.

Related Parties:

The nature of related parties and descriptions of related party

transactions are discussed within Notes 1 and 6.

Note 3. Fund Balances With Treasury:

Fund Balances with Treasury, by fund type and status, as of September

30, 2013 and 2012, are presented in the following table.

Fund Balances:

General Funds:

As of September 30, 2013: $36,630;

As of September 30, 2012: $40,517.

Program Funds:

As of September 30, 2013: $14,382;

As of September 30, 2012: $14,382.

Financing Funds:

As of September 30, 2013: $2,228;

As of September 30, 2012: $20,596.

Total Fund Balances:

As of September 30, 2013: $53,204;

As of September 30, 2012: $75,495.

Status of Fund Balances:

Unobligated Balances:

Available:

As of September 30, 2013: $68;

As of September 30, 2012: $3,987.

Unavailable:

As of September 30, 2013: $22,389;

As of September 30, 2012: $27,994.

Obligated Balances Not Yet Disbursed:

As of September 30, 2013: $30,173;

As of September 30, 2012: $43,514.

Total Status of Fund Balances:

As of September 30, 2013: $53.240.

As of September 30, 2012: $75,495.

[End of table]

Collections relating to the AGP are deposited in the Troubled Assets

Insurance Financing Fund (which is within OFS Financing Funds balance)

as required by the EESA Section 102(d). In fiscal year 2013 the TAIFF

was closed because the AGP program was:

completed and investments sold. In fiscal year 2012 the TAIFF balance

was reduced for AGP-related downward reestimates, repayments of AGP-

related debt and interest payments on debt due to the Bureau of the

Public Debt.

Note 4. Cash On Deposit For Housing Program:

As of September 30, 2013 and 2012, the OFS had $50 million on deposit

with a commercial bank to facilitate its payments of claims under the

FHA-Refinance Program as OFS's agent.

Under terms of the agreement with the commercial bank, unused funds

will be returned to the OFS upon the termination of the program.

Note 5. Treasury Housing Programs Under TARP:

Fiscal years 2013 and 2012 saw continued advancement of programs

designed to provide stability for both the housing market and

homeowners. These programs assist homeowners who are experiencing

financial hardships to remain in their homes until their financial

position improves or they relocate to a more sustainable living

situation. The programs fall into three initiatives:

1) Making Home Affordable Program (MHA);

2) Hardest-Hit Fund (HHF); and:

3) FHA-Refinance Program.

Features of these initiatives follow:

Housing Program: MHA: Home Affordable Modification Program (HAMP)

First Lien Modification Program;

Features: Provides for upfront, monthly and annual incentives to

servicers, borrowers and investors who participate, whereby the

investor and OFS share the costs of modifying qualified first liens,

conditional on borrower performance.

Housing Program: MHA: Home Affordable Modification Program (HAMP)

Principal Reduction Alternative Program;

Features: Pays financial incentives to investors for principal

reduction in conjunction with a first lien HAMP modification. Home

Price Depreciation Program (HPDP) Provides financial incentives to

investors to partially offset losses from home price declines.

Housing Program: MHA: Home Affordable Modification Program (HAMP) Home

Affordable Foreclosure Alternatives (HAFA);

Features: Designed to assist eligible borrowers unable to retain their

homes through a HAMP modification, by simplifying and streamlining the

short sale and deed-in-lieu of foreclosure processes and providing

financial incentives to servicers and investors as well as relocation

assistance to borrowers who pursue short sales and deeds-in-lieu.

Housing Program: MHA: Home Affordable Modification Program (HAMP)

Unemployment Forebearance Program (UP);

Features: Offers assistance to unemployed homeowners through temporary

forebearance of a portion of their mortgage payments. This program

does not require any payments from OFS.

Housing Program: MHA: Home Affordable Modification Program (HAMP) FHA-

HAMP;

Features: Provides mortgage modifications similar to HAMP, but for FHA-

insured or guaranteed loans offered by the FHA, VA or USDA.

Housing Program: MHA: Home Affordable Modification Program (HAMP)

Second Lien Program (2MP);

Features: Offers financial incentives to participating servicers who

modify second liens in conjunction with a HAMP modification.

Housing Program: MHA: Home Affordable Modification Program (HAMP)

Treasury/FHA Second Lien Program (FHA 2LP);

Features: Provides for reduction or elimination of second mortgages on

homes whose servicers participate in the FHA Refinance Program.

Housing Program: MHA: Home Affordable Modification Program (HAMP)

Rural Development Program (RD-HAMP);

Features: Provides for lower monthly payments on USDA guaranteed loans.

Housing Program: HHF

Features: Provides targeted aid to families in the states hardest hit

by the housing market downturn and unemployment.

Housing Program: FHA-Refinance Program

Features: Joint initiative with HUD to encourage refinancing of

existing underwater mortgage loans not currently insured by FHA into

FHA insured mortgages.

[End of table]

MHA:

In early 2009, Treasury launched the Making Home Affordable Program

(MHA) to help struggling homeowners avoid foreclosure. Since its

inception, MHA has helped homeowners avoid foreclosure by providing a

variety of solutions to modify or refinance their mortgages, get

temporary forbearance if they are unemployed, or transition out of

homeownership via a short sale or deed-in-lieu of foreclosure. The

cornerstone of MHA is the Home Affordable Modification Program (HAMP),

which provides eligible homeowners the opportunity to reduce their

monthly mortgage payments to more affordable levels. Treasury also

launched programs under MHA to help homeowners who are unemployed,

"underwater" on their loans (those who owe more on their home than it

is currently worth), or struggling with second liens. It also includes

options for homeowners who would like to transition to a more

affordable living situation through a short sale or deed-in-lieu of

foreclosure. MHA includes several additional programs to help

homeowners refinance or address specific types of mortgages, in

conjunction with the Federal Housing Administration (FHA), the U. S.

Department of Agriculture (USDA), and the U. S. Department of Veterans

Affairs (VA).

In fiscal year 2013, the deadline for applications under the MHA

programs was extended from December 31, 2013, to December 31, 2015.

In fiscal year 2012, the OFS made additional changes to MHA programs to

provide relief to more homeowners and accelerate the housing market

recovery. HAMP program guidelines were expanded through the

introduction of a second-level evaluation that expands the population

of homeowners eligible for the programs, including certain rental

properties and vacancies, creating a flexible debt-to-income ratio band

and including certain previous HAMP participants who may have lost good

standing. Finally, investor incentives for PRA were tripled on first

liens and doubled on second liens, and servicer incentives were

restructured to promote early engagement with the borrowers.

All MHA disbursements are made to servicers either for themselves or

for the benefit of borrowers and investors, and all payments are

contingent on borrowers remaining in good standing.

Fannie Mae, as the MHA Program Administrator, provides direct

programmatic support as a third party agent on behalf of the OFS.

Freddie Mac provides compliance oversight of servicers as a third party

agent on behalf of the OFS, and the servicers work directly with the

borrowers to modify and service the borrowers' loans. Fees paid to

Fannie Mae and Freddie Mac are included in administrative costs

reported on the Statement of Net Cost.

HHF:

The HHF was implemented in fiscal year 2010, and provides targeted aid

to homeowners in the states hit hardest by the housing market downturn

and unemployment through each state's Housing Finance Agency (HFA).

States that meet the criteria for this program consist of Alabama,

Arizona, California, Florida, Georgia, Illinois, Indiana, Kentucky,

Michigan, Mississippi, Nevada, New Jersey, North Carolina, Ohio,

Oregon, Rhode Island, South Carolina, Tennessee, as well as the

District of Columbia. Approved states develop and roll out their own

programs with timing and types of programs offered targeted to address

the specific needs and economic conditions of their state. States have

until December 31, 2017 to enter into agreements with borrowers.

In fiscal year 2013, the state HFAs continued to adapt their programs

to best meet borrower needs in evolving economic and housing markets. A

total of seven HFAs now offer principal reduction to enable a loan

modification, refinance, or recast, and other states are strongly

considering this model. Florida, Illinois and Ohio have utilized HHF

resources to purchase notes and modify the underlying loan terms, and

Oregon offers refinancing options to underwater homeowners ineligible

for other options. Additionally, Michigan has elected to designate a

portion of its HHF allocation for blight elimination activities that

target vacant and abandoned urban residences. Ohio has submitted a

proposal to do the same, and other states are contemplating this

approach to foreclosure prevention.

In fiscal year 2012, the state HFAs made substantial eligibility

changes to existing programs (e.g. Florida, New Jersey) and

significantly modified principal reduction programs (e.g. Arizona,

California and Nevada) incorporating curtailments (i.e. unmatched

principal reduction) that can be applied to all eligible loans

including GSE loans that historically have not participated in

principal reduction programs.

FHA-Refinance Program:

The FHA-Refinance Program is a joint initiative with the U. S.

Department of Housing and Urban Development (HUD) which is intended to

encourage refinancing of existing underwater mortgage loans not

currently insured by FHA into FHA-insured mortgages. HUD will pay a

portion of the amount refinanced to the investor and OFS will pay

incentives to encourage the extinguishment of second liens associated

with the refinanced mortgages. OFS established a letter of credit that

obligated the OFS portion of any claims associated with the FHA-

guaranteed mortgages. The OMB determined that for budgetary purposes,

the FHA-Refinance Program cost is calculated under the FCRA, and

accordingly OFS determined that it was appropriate to follow SFFAS No.

2 for financial reporting. Therefore, the liability is calculated at

the net present value of estimated future cash flows. Homeowners can

refinance into FHA-guaranteed mortgages through December 31, 2014, and

OFS will honor its share of claims against the letter of credit through

September 2020. As of September 30, 2013, 3,015 loans had been

refinanced. As of September 30, 2012, 1,774 loans had been refinanced.

OFS deposited $50 million with a commercial bank as its agent to

administer payment of claims under the program; $47,840 in claim

payments were made as of September 30, 2013. No claim payments had been

made as of September 30, 2012. See Notes 4 and 6 for further details

about the deposit and the program. OFS paid $2 million each year in

fiscal years 2013 and 2012 to maintain the letter of credit.

The table below recaps housing program total commitments as of

September 30, 2013, and payments and accruals as of September 30, 2013

and 2012.

Treasury Housing Programs Under TARP (Dollars in Millions):

MHA:

Total Commitments as of September 30, 2013[1]: $28,871;

Fiscal Year Payments through September 30, 2013: $2,541;

Fiscal Year Payments through September 30, 2012: $2,202;

Accruals as of September 30, 2013: $263;

Accruals as of September 30, 2012: $241.

HFA Hardest Hit Fund:

Total Commitments as of September 30, 2013[1]: $7,600;

Fiscal Year Payments through September 30, 2013: $1,396;

Fiscal Year Payments through September 30, 2012: $861;

Accruals as of September 30, 2013: 0;

Accruals as of September 30, 2012: 0.

FHA Refinance[2]:

Total Commitments as of September 30, 2013[1]: $1,025;

Fiscal Year Payments through September 30, 2013: $2;

Fiscal Year Payments through September 30, 2012: $2;

Accruals as of September 30, 2013: 0;

Accruals as of September 30, 2012: 0.

Totals:

Total Commitments as of September 30, 2013[1]: $38,492;

Fiscal Year Payments through September 30, 2013: $3,939;

Fiscal Year Payments through September 30, 2012: $3,065;

Accruals as of September 30, 2013: $263;

Accruals as of September 30, 2012: $241.

[1] Total commitments represent amounts obligated to support all of

OFS's Housing programs. This differs from the $28,747 outstanding

commitments as of September 30, 2013, which are the remaining funds

available to be spent.

[2] Payments do not include $50 million to establish reserve, shown on

Balance Sheet as Cash on Deposit for Housing Program, nor the subsidy

cost to fund OFS' share of defaults, which establishes the liability

for losses, see Note 6. Payments are for the FHA-Refinance Program

administrative expense only.

[End of table]

Note 6. Troubled Asset Relief Program Direct Loans And Equity

Investments, Net And Other Credit Programs:

The OFS administers a number of programs designed to help stabilize the

financial system and restore the flow of credit to consumers and

businesses. The OFS made direct loans and equity:

investments under TARP. The OFS also entered into other credit

programs, which consist of an asset guarantee program and a loss-

sharing program under the TARP. The table below recaps OFS programs by

title and type:

Direct Loans and Equity Investments:

Program: Capital Purchase Program;

Program Type: Equity Investment/Subordinated Debentures.

Program: Community Development Capital Initiative;

Program Type: Equity Investment/Subordinated Debentures.

Program: Public-Private Investment Program;

Program Type: Equity Investment and Direct Loan.

Program: Term Asset-Backed Securities Loan Facility;

Program Type: Subordinated Debentures.

Program: SBA 7(a) Security Purchase Program;

Program Type: Direct Loan.

Program: Automotive Industry Financing Program;

Program Type: Equity Investment and Direct Loan.

Program: American International Group, Inc. Investment Program;

Program Type: Equity Investment.

Other Credit Programs:

Program: Asset Guarantee Program;

Program Type: Asset Guarantee.

Program: FHA-Refinance Program;

Program Type: Loss-sharing Program with FHA.

Direct Loan and Equity Investment Programs:

Capital Purchase Program (CPP):

In October 2008, the OFS began implementation of the TARP with the

Capital Purchase Program (CPP), designed to help stabilize the

financial system by assisting in building the capital base of certain

viable U.S. financial institutions to increase the capacity of those

institutions to lend to businesses and consumers and support the

economy.

The OFS invested a total of $204.9 billion in 707 institutions under

the CPP program between October 2008 and December 2009.

Under this program, the OFS purchased senior perpetual preferred stock

from qualifying U.S. controlled banks, savings associations, and

certain bank and savings and loan holding companies (Qualified

Financial Institution or QFI). The senior preferred stock has a stated

dividend rate of 5.0 percent through year five, increasing to 9.0

percent in subsequent years. The dividends are cumulative for bank

holding companies and non-cumulative for others; they are payable when

and if declared by the institution's board of directors. In addition to

the senior preferred stock, the OFS received warrants, with a 10-year

term, as required by section 113(d) of:

EESA, from public QFIs to purchase a number of shares of common stock.

QFIs that are Subchapter S corporations issued subordinated debentures

instead of preferred stock (to comply with tax code regulations) with

interest rates of 7.7 percent for the first five years and 13.8 percent

thereafter.

The OFS received warrants from non-public QFIs for the purchase of

additional senior preferred stock (or subordinated debentures if

appropriate) with a stated dividend rate of 9.0 percent (13.8 percent

interest rate for subordinate debentures) and a liquidation preference

equal to 5.0 percent of the total senior preferred stock (additional

subordinate debenture) investment. These warrants were immediately

exercised and resulted in the OFS holding additional senior preferred

stock (subordinated debentures) (collectively referred to as "warrant

preferred stock") of non-public QFIs.

In addition to the above transactions, the OFS entered into other

transactions with various financial institutions including exchanging

existing preferred shares for a like amount of non-tax-deductible Trust

Preferred Securities, exchanging preferred shares for shares of

mandatorily convertible preferred securities and selling preferred

shares to financial institutions that were acquiring the QFIs that have

issued the preferred shares. Generally, these transactions are entered

into with financial institutions in poor financial condition with a

high likelihood of failure. As such, in accordance with SFFAS 2, these

transactions are considered workouts and not modifications. The changes

in cost associated with these transactions are captured in the year-end

reestimates.

During fiscal year 2012, OFS elected to sell selected CPP investments

to the public in auction sales. Because auction sales were not

considered in the budget formulation estimate for the CPP program, OFS

recorded a modification increasing the cost of the program by $973

million. During fiscal year 2013, OFS continued auction sales of

selected remaining CPP investments.

In fiscal year 2013, OFS sold 113 CPP investments in 14 separate

auctions for total net proceeds of $1.5 billion. These auction sales

resulted in net proceeds less than cost of $455 million. In addition,

other sales and redemptions for 60 institutions resulted in net

proceeds less than cost of $38 million.

In fiscal year 2012, OFS sold 40 CPP investments in six separate

auctions for total net proceeds of $1.3 billion. These auction sales

resulted in net proceeds less than cost of $180 million. In addition,

other sales and redemptions for 56 institutions resulted in net

proceeds less than cost of $105 million.

During fiscal year 2013, one CPP institution was written off for $104

million. OFS originally invested $110 million and recovered $6 million.

There were no write-offs in fiscal year 2012. During fiscal year 2013,

seven institutions, in which OFS had invested $137 million, were either

closed by their regulators or declared bankruptcy. During fiscal year

2012, six institutions, in which OFS had invested $51 million, were

either closed by their regulators or declared bankruptcy. The OFS does

not anticipate recovery on these investments and therefore the values

of these investments are reflected at zero as of September 30, 2013 and

2012. The ultimate amount received, if any, from the investments in

institutions that filed for bankruptcy and institutions closed by

regulators will depend primarily on the outcome of the bankruptcy

proceedings and of each institution's receivership.

The following tables provide key data points related to the CPP for the

fiscal years ending September 30, 2013 and 2012:

CPP Participating Institutions:

Number of Institutions Funded:

2013: 707;

2012: 707.

Institutions Paid in Full, Merged or Investments Sold:

2013: (407);

2012: (234).

Institutions Transferred to CDCI:

2013: (28);

2012: (28).

Institutions Refinanced to SBLF:

2013: (137);

2012: (137).

Institutions Written Off After Bankruptcy or Receivership:

2013: (3);

2012: (2).

Number of Institutions with Outstanding OFS Investments:

2013: 132;

2012: 306.

Institutions in Bankruptcy or Receivership:

2013: (24);

2012: (17).

Number of CPP Institutions Valued at Year-End:

2013: 108;

2012: 289.

Of the Institutions Valued, Number that Have Missed One or More

Dividend Payments:

2013: 76;

2012: 157.

CPP Investments:

(Dollars in Millions)

Outstanding Beginning Balance, Investment in CPP Institutions, Gross:

Fiscal Year 2013: $8,664;

Fiscal Year 2012: $17,299.

Repayments and Sales of Investments:

Fiscal Year 2013: ($4,752);

Fiscal Year 2012: ($8,223).

Write-Offs:

Fiscal Year 2013: ($104);

Fiscal Year 2012: 0,

Losses from Sales and Repurchases of Assets in Excess of Cost:

Fiscal Year 2013: ($665);

Fiscal Year 2012: ($412).

Outstanding Balance, Investment in CPP Institutions, Gross:

Fiscal Year 2013: $3,143;

Fiscal Year 2012: $8,664.

Interest and Dividend Collections:

Fiscal Year 2013: $262;

Fiscal Year 2012: $572.

Net Proceeds from Sales and Repurchases of Assets Less Than Cost:

Fiscal Year 2013: ($493);

Fiscal Year 2012: ($285).

[End of table]

Community Development Capital Initiative (CDCI):

In February 2010, the OFS announced the Community Development Capital

Initiative (CDCI) to invest lower cost capital in Community Development

Financial Institutions (CDFIs). Under the terms of the program, the OFS

purchased senior preferred stock (or subordinated debt) from eligible

CDFIs. The senior preferred stock had an initial dividend rate of 2

percent. CDFIs could apply to receive capital up to 5 percent of risk-

weighted assets. To encourage repayment while recognizing the unique

circumstances facing CDFIs, the dividend rate increases to 9 percent

after eight years.

For CDFI credit unions, the OFS purchased subordinated debt at rates

equivalent to those offered to CDFIs and with similar terms. These

institutions could apply for up to 3.5 percent of total assets - an

amount approximately equivalent to the 5 percent of risk-weighted

assets available to banks and thrifts.

CDFIs participating in the CPP, subject to certain criteria, were

eligible to exchange, through September 30, 2010, their CPP preferred

shares (subordinated debt) then held by OFS for CDCI preferred shares

(subordinated debt). These exchanges were treated as disbursements from

CDCI and repayments to CPP. OFS invested a total of $570 million ($363

million as a result of exchanges from CPP) in 84 institutions under the

CDCI.

During fiscal year 2013, one CDCI institution, in which the OFS

invested $7 million, was written off; there were no write-offs in

fiscal year 2012. During fiscal year 2012, this CDCI institution was

closed by its regulator. The OFS did not anticipate recovery on the

investment and therefore its value was reflected at zero as of

September 30, 2012.

In fiscal year 2013, OFS received $86 million in repayments and $11

million in dividends and interest from its CDCI investments. In fiscal

year 2012, OFS received $3 million in repayments and $11 million in

dividends and interest from its CDCI investments.

Public-Private Investment Program (PPIP):

The PPIP was part of the OFS's efforts to help restart the financial

securities market and provide liquidity for legacy securities. Under

this program, the OFS (as a limited partner) made equity investments in

and loans to nine investment vehicles (referred to as Public Private

Investment Funds or "PPIFs") established by private investment managers

between September and December 2009. The OFS equity investments were

used to match private capital and equaled 49.9 percent of the total

equity invested. Each PPIF elected to receive a loan commitment equal

to 100 percent of partnership equity. Agreements between the OFS and

the PPIFs require cash flows from purchased securities received by the

PPIFs to be distributed in accordance with a priority of payments

schedule (waterfall) designed to help protect the interests of secured

parties. Security cash flows collected are disbursed: 1) to pay

administrative expenses; 2) to pay margin interest on permitted hedges;

3) to pay current period interest to OFS; 4) to maintain a required

interest reserve account; 5) to pay principal on the OFS loan when the

minimum Asset Coverage Ratio Test is not satisfied; 6) to pay other

amounts on interest rate hedges if not paid under step 2 ; 7) for

additional temporary investments or to prepay loans (both at the

discretion of the PPIF); 8) for distributions to equity partners up to

the lesser of 12 months' net interest collected or 8 percent of the

funded capital commitments; 9) for loan prepayments to OFS; and 10) for

distribution to equity partners.

As a condition of its investment, the OFS also received a warrant from

each of the PPIFs entitling the OFS to 2.5 percent of investment

proceeds (excluding those from temporary investments) otherwise

allocable to the non-OFS partners after the PPIFs return of 100 percent

of the non-OFS partners' capital contributions. Distributions relating

to the warrants generally occur upon the final distribution of each

partnership.

The PPIFs were allowed to purchase commercial and non-agency

residential mortgage-backed securities (CMBS and RMBS, respectively)

issued prior to January 1, 2009, that were originally rated AAA or an

equivalent rating by two or more nationally recognized statistical

rating organizations without external credit enhancement and that are

secured directly by the actual mortgage loans, leases or other assets

(eligible assets) and not other securities. The PPIFs investment period

ended December 2012 and as of June 30, 2013, all of the PPIF's

securities portfolios were completely liquidated. As of September 30,

2012, the PPIFs' portfolios were comprised of approximately 74 percent

RMBS and 26 percent CMBS.

OFS made no disbursements to PPIFs during fiscal year 2013. During

fiscal year 2012, OFS disbursed $245 million as equity investments and

$803 million as loans to PPIFs.

In fiscal year 2013, the six remaining PPIFs liquidated investments and

fully repaid investors, including OFS. During fiscal year 2013, the OFS

received $17 million in interest on loans and $5.7 billion in loan

principal repayments from the PPIFs and received $5.5 billion in equity

distributions, of which $254 million was recognized as investment

income, $1.2 billion as net proceeds in excess of cost and $4.1 billion

as a reduction of the gross investment outstanding. During fiscal year

2012, the OFS received $124 million in interest on loans and $5.6

billion in loan principal repayments from the PPIFs and received $3.2

billion in equity distributions, of which $1.3 billion was recognized

as investment income, $223 million as net proceeds in excess of cost

and $1.7 billion as a reduction of the gross investment outstanding.

One PPIF partnership fully repaid its investors, including OFS, in

fiscal year 2012. Another had repaid all equity capital in fiscal year

2012 and distributed additional funds and ceased operations early in

fiscal year 2013.

As of September 30, 2013, OFS had no PPIF equity investments or loans

outstanding. The $10 million positive balance in the PPIP subsidy

allowance account represents additional proceeds expected upon final

liquidation of remaining partnerships. The legal commitments to

disburse up to $1.8 billion in additional loans to remaining PPIFs as

of September 30, 2012 were canceled in 2013 since all PPIFs had ceased

operations. Commitments of $984 million to disburse additional equity

to PPIFs will remain until all distributions have been received from

PPIFs and all PPIF liabilities have been settled, although a

requirement for additional disbursement by OFS is highly unlikely.

As of September 30, 2012, OFS had equity investments in six PPIFs

outstanding of $4.1 billion and loans outstanding of $5.7 billion for a

total of $9.8 billion. These investments and loans were valued at $10.8

billion.

Term Asset-Backed Securities Loan Facility (TALF):

The Term Asset-Backed Securities Loan Facility (TALF) was created by

the Federal Reserve Board (FRB) to provide low cost funding to

investors in certain classes of Asset-Backed Securities (ABS). The OFS

agreed to participate in the program by providing liquidity and credit

protection to the FRB.

Under the TALF, the Federal Reserve Bank of New York (FRBNY), as

implementer of the TALF:

program, originated loans on a non-recourse basis to purchasers of

certain AAA-rated ABS secured by consumer and commercial loans and

commercial mortgage backed securities (CMBS). The FRBNY ceased issuing

new loans on June 30, 2010. As of September 30, 2013, $101 million of

loans due to the FRBNY remained outstanding. As of September 30, 2012,

approximately $1.5 billion of loans due to the FRBNY remained

outstanding.

As part of the program, the FRBNY created the TALF, LLC, a special

purpose vehicle that agreed to purchase from the FRBNY any collateral

it has seized due to borrower default. The TALF, LLC would fund

purchases from the accumulation of monthly fees paid by the FRBNY as

compensation for the agreement. Only if the TALF, LLC had insufficient

funds to purchase the collateral did the OFS commit to invest up to

$20.0 billion in non-recourse subordinated notes issued by the TALF,

LLC. In July 2010, the OFS's commitment was reduced to $4.3 billion. In

June 2012, the OFS's commitment was reduced from $4.3 billion to $1.4

billion. In fiscal year 2013, the remaining commitment was terminated.

The OFS disbursed $100 million upon the creation of TALF, LLC in 2009.

Upon its wind-down, when collateral defaults, reaches final maturity or

is sold, available cash will be disbursed to FRBNY and OFS according to

the legal agreement between them.

In fiscal year 2013, a modification to the terms of the legal agreement

resulted in $55 million in subsidy income for the program. The

modification allowed OFS to receive $100 million in repayments, $13

million in interest and $570 million of contingent interest, recorded

as proceeds in excess of cost, in fiscal year 2013 rather than in

fiscal year 2015 as originally expected.

As of September 30, 2013 and 2012, no TALF loans were in default and

consequently no collateral was purchased by the TALF, LLC.

SBA 7(a) Securities Purchase Program:

In March 2010, the OFS began the purchase of securities backed by Small

Business Administration 7(a) loans (7(a) Securities) as part of the

Unlocking Credit for Small Business Initiative. Under this program OFS

purchased 7(a) Securities collateralized with 7(a) loans (these loans

are guaranteed by the full faith and credit of the United States

Government) packaged on or after July 1, 2008. In May 2011, OFS began

selling its securities to investors. Sales were completed in January of

2012 and the program closed.

As of September 30, 2013 and 2012, the OFS held no investment in SBA

7(a) securities. The OFS invested a total of $367 million (excluding

purchased accrued interest) and received $363 million in principal

payments and sales proceeds, as well as $13 million in interest on its

securities over the course of the program. During fiscal year 2012, the

OFS sold its remaining SBA securities and received proceeds of $127

million, including interest.

Automotive Industry Financing Program (AIFP):

The Automotive Industry Financing Program (AIFP) was designed to help

prevent a significant disruption of the American automotive industry,

which could have had a negative effect on the economy of the United

States.

General Motors Company (New GM) and General Motors Corporation (Old

GM):

In the period ended September 30, 2009, the OFS provided $51.0 billion

to General Motors Corporation (Old GM) through various loan agreements

including the initial loan for general and working capital purposes,

auto supplier and warranty programs, and the final loan for debtor-in-

possession (DIP) financing while Old GM was in bankruptcy. As of

September 30, 2011, after various sales and restructurings of its

investment, the OFS held 500 million shares of common stock of New GM,

the post-bankruptcy GM entity, and had received a cumulative total of

$23.9 billion in stock sale proceeds, loan repayments, dividends and

interest.

During fiscal year 2013, OFS sold 399 million shares of GM common stock

for $12.0 billion. The sales resulted in net proceeds less than cost of

$5.4 billion. During fiscal year 2012, OFS did not sell any of its New

GM common stock shares.

At September 30, 2013, the OFS held 101 million shares of the common

stock of New GM that represented approximately 7.3 percent of the

common stock of New GM outstanding. Market value of the 101 million

shares as of September 30, 2013 was $3.6 billion. At September 30,

2012, the OFS held 500 million shares, approximately 32 percent of the

common stock of New GM outstanding, with a market value of $11.4

billion.

In fiscal year 2011, $986 million of OFS's loan to Old GM was converted

to an administrative claim. OFS retains the right to recover additional

proceeds but recoveries are dependent on actual liquidation proceeds

and pending litigation. OFS recovered $22 million and $26 million in

fiscal years 2013 and 2012, respectively, on the administrative claim,

and the outstanding balance at September 30, 2013 was $827 million. OFS

does not expect to recover any significant additional proceeds from

this claim.

Chrysler Group LLC (New Chrysler) and Chrysler Holding LLC (Old

Chrysler):

During fiscal years 2009 and 2010, OFS invested $7.8 billion in

Chrysler Holding LLC (Old Chrysler), including the auto supplier and

warranty programs, and an additional $4.6 billion in Chrysler Group LLC

(New Chrysler) under the terms of Chrysler's bankruptcy agreement.

Prior to fiscal year 2012, pursuant to several agreements with New

Chrysler that included writeoffs, OFS had received loan repayments,

interest and additional payments totaling $11.1 billion and had no

remaining interest in New Chrysler.

OFS continues to hold a right to receive proceeds from a bankruptcy

liquidation trust related to Old Chrysler, but no significant cash

flows are expected. Nothing was received from the trust in fiscal year

2013; $9 million was received during fiscal year 2012. The underlying

loan balance was extinguished in the Chrysler bankruptcy.

Ally Financial Inc. (formerly known as GMAC):

The OFS invested a total of $16.3 billion in GMAC between December 2008

and December 2009, to help support its ability to originate new loans

to GM and Chrysler dealers and consumers and to help address GMAC's

capital needs. In addition, in May 2009, under the terms of a separate

$884 million loan to Old GM, OFS exercised its exchange option and

received 190,921 shares of GMAC common stock from Old GM in full

satisfaction of the loan. In May 2010, GMAC changed its corporate name

to Ally Financial, Inc. (Ally), a private bank holding company. As a

result of original investments, exchanges, conversions, warrant

exercises and sales, at the beginning of fiscal year 2012, OFS had

received $5.1 billion in sales proceeds and dividends on its initial

investment and held 981,971 shares of common stock (73.8 percent of

Ally's outstanding common stock) and 119 million shares of Series F-2

mandatorily convertible preferred securities (Series F-2). The Series

F-2 were convertible into at least 513,000 shares of common stock.

Per an August 2013 agreement, all of the Series F-2 were repurchased by

Ally from OFS for $5.2 billion in November 2013. OFS received an

additional $725 million for the elimination of certain rights under the

original agreement. This August 2013 agreement also included terms for

Ally to issue a November 2013 private offering of new common stock at a

price of $6,000 per share. Following this private offering, OFS's

ownership was reduced to 63.4 percent of Ally's outstanding common

stock. See the Valuation Methodology and Subsidy Cost and Reestimate

sections of Note 6 for further discussion of the effects of this

agreement.

The OFS received $534 million in dividends from the Ally investment

each year in fiscal years 2013 and 2012.

The investment in Ally was valued at $12.0 billion at September 30,

2013, considering the effects of the August 2013 agreement: $5.9

billion for the common stock and $6.1 billion for the Series F-2.

At September 30, 2012, OFS's investment in Ally was valued at $6.2

billion based upon a model that calculated an average of three

valuation benchmarks, since there was no direct market activity

available.

American International Group, Inc. (AIG) Investment Program:

The OFS provided assistance to systemically significant financial

institutions on a case by case basis in order to help provide stability

to institutions that were deemed critical to a functioning financial

system and were at substantial risk of failure as well as to help

prevent broader disruption to financial markets. OFS invested in one

institution, AIG, under the program.

In November 2008, the OFS invested $40.0 billion in AIG in the form of

Series D 10 percent cumulative perpetual preferred stock. An additional

$27.8 billion was drawn from a capital facility made available to AIG

by OFS, secured by additional preferred stock and common stock

warrants. By January 2011, and as a result of various restructurings of

both the OFS's and the Federal Reserve Bank of New York's investments

in AIG, the OFS's entire investment outstanding consisted of $20.3

billion of interests in two AIG subsidiaries organized as Special

Purpose Vehicles (the "AIG SPVs") and 1.1 billion shares of AIG common

stock.

In fiscal year 2013, OFS sold the remainder of its common stock and

warrants for $5.0 billion, resulting in proceeds less than cost of $1.7

billion.

In fiscal year 2012, OFS received $9.6 billion in distributions from

the AIG SPVs, paying off the remaining investment balance of $9.1

billion, recording proceeds in excess of cost of $127 million, and

collecting $395 million of investment income (including $204 million

capitalized and recognized as income in fiscal year 2011). OFS also

sold 806 million shares of common stock for $25.2 billion. These

proceeds were less than OFS's cost by $9.9 billion.

As of September 30, 2013, OFS retained no ownership interest in AIG,

common or preferred, nor any interests in SPVs. At September 30, 2012,

the OFS owned 154 million shares of AIG common stock, approximately

10.5 percent of AIG's common stock equity[Footnote 5]. Market value of

the common stock shares was $5.1 billion.

On its original $67.8 billion investment in AIG, OFS received $55.3

billion in repayments, sales proceeds, fees and dividends. OFS also

incurred net interest cost of $2.7 billion, for a total subsidy cost of

$15.2 billion, or 22.4 percent of its original investment.

Valuation Methodology:

The OFS applies fair value and the provisions of SFFAS No. 2 to account

for direct loans, equity investments and other credit programs. This

standard requires measurement of the asset or liability at the net

present value of the estimated future cash flows. The cash flow

estimates for each transaction reflect the actual structure of the

instruments. For each of these instruments, analytical cash flow models

generate estimated cash flows to and from the OFS over the estimated

term of the instrument. Further, each cash flow model reflects the

specific terms and conditions of the program, technical assumptions

regarding the underlying assets, risk of default or other losses, and

other factors as appropriate. The models also incorporate an adjustment

for market risk to reflect the additional return required by the market

to compensate for variability around the expected losses reflected in

the cash flows (the "unexpected loss").

The adjustment for market risk requires the OFS to determine the return

that would be required by market participants to enter into similar

transactions or to purchase the assets held by OFS. Accordingly, the

measurement of the assets attempts to represent the proceeds expected

to be received if the assets were sold to a market participant in an

orderly transaction. The methodology employed for determining market

risk for equity investments generally involves a calibration to market

prices of similar securities that results in measuring equity

investments at fair value. The adjustment for market risk for loans is

intended to capture the risk of unexpected losses, but not intended to

represent fair value, i.e. the proceeds that would be expected to be

received if the loans were sold to a market participant. The OFS uses

market observable inputs, when available, in developing cash flows and

incorporating the adjustment required for market risk. For purposes of

this disclosure, the OFS has classified its programs' asset valuations

as follows, based on the observability of inputs that are significant

to the measurement of the asset:

\* Quoted prices for Identical Assets (Level 1): The measurement of

assets in this classification is based on direct market quotes for the

specific asset, e.g. quoted prices of common stock.

\* Significant Observable Inputs (Level 2): The measurement of assets in

this classification is primarily derived from market observable data,

other than a direct market quote, for the asset. This data could be

market quotes for similar assets for the same entity.

\* Significant Unobservable Inputs (Level 3): The measurement of assets

in this classification is primarily derived from inputs which generally

represent management's best estimate of how a market participant would

assess the risk inherent in the asset. These unobservable inputs are

used because there is little to no direct market activity.

The following table displays the assets held by the observability of

inputs significant to the measurement of each value:

(Dollars in Millions):

As of September 30, 2013:

Program: Capital Purchase Program;

Quoted Prices for Identical Assets Level 1): $125;

Significant Observable Inputs (Level 2): 0;

Significant Unobservable Inputs (Level 3): $1,668;

Total: $1,793.

Program: CDCI and TALF;

Quoted Prices for Identical Assets Level 1): $18;

Significant Observable Inputs (Level 2): 0;

Significant Unobservable Inputs (Level 3): $451;

Total: $469;

Program: Public-Private Investment Program;

Quoted Prices for Identical Assets Level 1): 0;

Significant Observable Inputs (Level 2): 0;

Significant Unobservable Inputs (Level 3): $10;

Total: $10.

Program: Automotive Industry Financing Program;

Quoted Prices for Identical Assets Level 1): $3,647;

Significant Observable Inputs (Level 2): $11,950;

Significant Unobservable Inputs (Level 3): 0;

Total: $15,597.

Program: Total TARP Programs;

Quoted Prices for Identical Assets Level 1): $3,790;

Significant Observable Inputs (Level 2): $11,950;

Significant Unobservable Inputs (Level 3): $2,129;

Total: $17,869.

As of September 30, 2012:

Program: Capital Purchase Program;

Quoted Prices for Identical Assets Level 1): $327;

Significant Observable Inputs (Level 2): 0;

Significant Unobservable Inputs (Level 3): $5,407;

Total: $5,734,

Program: CDCI and TALF;

Quoted Prices for Identical Assets Level 1): $9

Significant Observable Inputs (Level 2): 0;

Significant Unobservable Inputs (Level 3): $1,095;

Total: $1,104.

Program: Public-Private Investment Program;

Quoted Prices for Identical Assets Level 1): 0;

Significant Observable Inputs (Level 2): 0;

Significant Unobservable Inputs (Level 3): $10,778;

Total: $10,778.

Program: Automotive Industry Financing Program;

Quoted Prices for Identical Assets Level 1): $11,376;

Significant Observable Inputs (Level 2): 0;

Significant Unobservable Inputs (Level 3): $6,170;

Total: $17,546.

Program: American International Group Inc. Investment Program;

Quoted Prices for Identical Assets Level 1): $5,067;

Significant Observable Inputs (Level 2): 0;

Significant Unobservable Inputs (Level 3): $2;

Total: $5,069.

Program: Total TARP Programs;

Quoted Prices for Identical Assets Level 1): $16,779;

Significant Observable Inputs (Level 2): $967;

Significant Unobservable Inputs (Level 3): $23,452;

Total: $41,198.

[End of table]

The following provides a description of the methodology used to develop

the cash flows and incorporate the market risk into the measurement of

the OFS assets.

Financial Institution Equity Investments[Footnote 6]

The estimated values of preferred equity investments are the net

present values of the expected dividend payments and proceeds from

repurchases and sales. The model assumes that the key decisions

affecting whether or not institutions pay their preferred dividends are

made by each institution based on the strength of its balance sheet.

The model assumes a probabilistic evolution of each institution's

asset-to-liability ratio (the asset-to-liability ratio is based on the

estimated fair value of the institution's assets against its

liabilities). Each institution's assets are subject to uncertain

returns and institutions are assumed to manage their asset-to-liability

ratios in such a way that they revert over time to a target level.

Historical:

volatility is used to scale the likely evolution of each institution's

asset-to-liability ratio.

In the model, when equity decreases, i.e. the asset-to-liability ratio

falls, institutions are increasingly likely to default, either because

they enter bankruptcy or are closed by regulators. The probability of

default is estimated based on the performance of a large sample of U.S.

banks over the period 1990-2012. At the other end of the spectrum,

institutions call their preferred shares when the present value of

expected future dividends exceeds the call price; this occurs when

equity is high and interest rates are low. Inputs to the model include

institution-specific accounting data obtained from regulatory filings,

an institution's stock price volatility and historical bank failure

information, as well as market prices of comparable securities trading

in the market. The market risk adjustment is obtained through a

calibration process to the market value of certain trading securities

of financial institutions within TARP programs or other comparable

financial institutions. The OFS estimates the values and projects the

cash flows of warrants using an option-pricing approach based on the

current stock price and its volatility. Investments in common stock

that are exchange traded are valued at the quoted market price as of

year end.

Public-Private Investment Program:

At September 30, 2013, since the PPIFs no longer held security

portfolios, the valuation represents expected proceeds to OFS upon

final liquidation of the remaining PPIFs. For the valuations at

September 30, 2012, OFS estimated cash flows by simulating the

performance of the collateral supporting the residential mortgage-

backed securities (RMBS) and commercial mortgage-backed securities

(CMBS) held by the PPIF (i.e. performance of the residential and

commercial mortgages). Inputs used to simulate the cash flows, which

considered market risks, included unemployment forecasts, home price

appreciation/depreciation forecasts and the current term structure of

interest rates and historical pool performance as well as estimates of

the net income and value of commercial real estate supporting the CMBS.

The simulated cash flows were then run through a financial model that

defined distributions of the RMBS/CMBS to determine the estimated cash

flows to the PPIF. Once determined, those cash flows were run through

the defined payment hierarchy of the PPIFs to determine the expected

cash flows to the OFS through both the equity investments and the

loans.

Term Asset-Backed Securities Loan Facility:

For TALF, the OFS model derives the cash flows to the Federal Reserve

Bank of New York (FRBNY) TALF LLC SPV, and ultimately the OFS, by

simulating the performance of underlying collateral. Loss probabilities

on the underlying collateral are calculated based on analysis of

historical loan loss and charge-off experience by credit sector and

subsector. Historical mean loss rates and volatilities are

significantly stressed to reflect recent and projected performance.

Simulated losses are run through cash flow models to project impairment

to the TALF-eligible securities. Simulation outcomes consisting of a

range of loss scenarios are probability-weighted to generate the

expected net present value of future cash flows.

Automotive Industry Financing Program:

Shares of common stock in General Motors Company (New GM) held by OFS

were valued by multiplying the publicly traded share price by the

number of shares held plus the value of any traded but not settled

shares as of September 30, 2013 and 2012. Traded but not settled shares

were valued based on the actual trade proceeds.

To value its holdings in Ally at September 30, 2013, OFS considered

observable market data from the August 2013 agreement for the

repurchase of the Series F-2 and Ally's private offering of new common

stock at a price of $6,000 per share. Proceeds and dividends received

in November related to the Series F-2 repurchase were discounted to

September 30, 2013 at a risk-free discount rate to reflect the timing

and certainty of the expected cash flows. OFS's investment in 981,971

shares of common stock was valued at the price per share in Ally's

private offering.

To value its holdings in Ally common equity and Series F-2 mandatorily

convertible preferred securities, on an "if-converted" basis at

September 30, 2012, the OFS used an average of valuation multiples such

as price-to-earnings, price-to-tangible book value, and asset manager

valuations to estimate the value of the shares. The multiples were

based on those of comparable publicly-traded entities. The adjustment

for market risk was incorporated in the data points used to determine

the measurement for Ally, since all points relied on market data.

American International Group, Inc. Investment Program:

The OFS investment in AIG common stock was valued by multiplying the

publicly traded share price by the number of shares held as of

September 30, 2012. OFS had no investment in AIG common stock remaining

as of September 30, 2013.

Asset Guarantee Program:

As of September 30, 2012, the instruments within the AGP, consisting of

Citigroup Trust Preferred Securities receivable from the FDIC with an

$800 million liquidation preference value plus accrued dividends and

interest, were valued in a manner broadly analogous to the previously

described methodology used for financial institution equity

investments. As of September 30, 2013, no instruments remained.

Subsidy Cost and Reestimates:

The recorded subsidy cost of a direct loan, equity investment or other

credit program is based upon the calculated net present value of

expected future cash flows. The OFS's actions, as well as changes in

legislation that change these estimated future cash flows change

subsidy cost, and are recorded as modifications. The cost or reduction

in cost of a modification is recognized when it occurs.

During fiscal year 2013, modifications occurred in the AGP and TALF

programs that resulted in subsidy income of $94 million and $55

million, respectively. During fiscal year 2012, a modification occurred

in the CPP, increasing subsidy cost by $973 million.

The purpose of reestimates is to update original program subsidy cost

estimates to reflect actual cash flow experience as well as changes in

equity investment valuations or forecasts of future cash flows.

Forecasts of future cash flows are updated based on actual program

performance to date, additional information about the portfolio,

additional publicly available relevant historical market data on

securities performance, revised expectations for future economic

conditions, and enhancements to cash flow projection methods.

For fiscal years 2013 and 2012, financial statement reestimates for all

programs were performed using actual financial transaction data through

September 30. For fiscal years 2013 and 2012, a mix of market and

security specific data publicly available as of August 31 and September

30 each year was used for all programs.

Net downward reestimates for the fiscal years ended September 30, 2013

and 2012, totaled $11.8 billion and $11.9 billion, respectively.

Descriptions of the reestimates, by OFS Program, are as follows:

CPP:

The $1.1 billion downward reestimate for CPP for the year ended

September 30, 2013 was the result of a reduction in the projected

number of institutions that would be sold via asset sales, repayments

and improved market values of the outstanding investments.

The $2.9 billion downward reestimate for CPP for the year ended

September 30, 2012 was the result of improved market values of the

outstanding investments and the effect of receiving $8.2 billion in

repayments, which reduced the remaining investment by about one-half,

in fiscal year 2012.

CDCI:

The CDCI program continued to experience improved investment

performance with several institutions repaying in full, resulting in a

$32 million downward reestimate for the year ended September 30, 2013.

The CDCI program reflected improved investment performance, resulting

in a $30 million downward reestimate for the year ended September 30,

2012.

PPIP:

The $380 million net downward reestimate for the PPIP for the year

ended September 30, 2013, was primarily due to accelerated repayments.

The $240 million upward reestimate for the PPIP for the year ended

September 30, 2012, was due primarily to accelerated repayments and

changes in projected performance of the PPIP portfolio.

TALF:

The investments in the TALF continued to experience improved market

conditions and accelerated repayments, resulting in a $33 million

downward reestimate for the year ended September 30, 2013. The $55

million downward modification reflects principal and interest

repayments occurring in February 2013, with contingent interest paid

over time beginning in February 2013. Prior to the modification,

principal, interest and contingent interest would have occurred in

March 2015.

The investments in the TALF experienced improved market conditions and

accelerated repayments, resulting in a $96 million downward reestimate

for the year ended September 30, 2012.

SBA 7(a):

The SBA 7(a) Securities Purchase Program was closed in fiscal year

2012, with a $1 million downward closing reestimate.

AIFP:

Improvements in the common stock share price for New GM accounted for

$4.4 billion of the $10.2 billion in downward reestimates for AIFP as

of September 30, 2013. The price improved throughout fiscal year 2013,

from $22.75 per share at September 30, 2012 to $35.97 per share at

September 30, 2013. The remaining $5.8 billion in downward reestimates

for AIFP was due to increases in the valuation of the outstanding

investment in Ally, reflecting observable market data from the August

2013 agreement for the repurchase of the Series F-2 and for Ally's

private offering.

The $230 million upward reestimate for the year ended September 30,

2012, was due to a decline of $1.6 billion in the value of the Ally

investment, partially offset by an increase in the common stock market

price of New GM, from $20.18 per share at September 30, 2011 to $22.75

per share at September 30, 2012.

AIG Investment Program:

The $32 million net upward reestimate for the year ended September 30,

2013 was due primarily to the sale of the remaining 155 million shares

of AIG common stock at a price of $32.50 per share, slightly lower than

the September 30, 2012 price of $32.79 per share. The AIG program was

closed out in fiscal year 2013.

The $9.2 billion downward reestimate for the year ended September 30,

2012 was due primarily to sales of 806 million shares of common stock

at prices higher than the September 30, 2011 price of $21.95 per share

and the effect of valuing the remaining 155 million shares at the

September 30, 2012 price of $32.79 per share.

Summary Table:

The following table recaps gross direct loans or equity investments,

subsidy allowance, net direct loans or equity investments,

reconciliation of subsidy cost allowance and subsidy cost, by TARP

program, as of and for the years ended September 30, 2013 and 2012. OFS

authority expired October 3, 2010 and no commitments were made

thereafter, so there were no budget execution subsidy rates for fiscal

years 2013 and 2012.

Troubled Asset Relief Program Loans and Equity Investments (Dollars in

Millions):

As of September 30, 2013:

Direct Loans and Equity Investment Programs:

Direct Loans and Equity Investments Outstanding, Gross;

Total: $23,496;

CPP: $3,143;

PPIP: 0;

AIFP: $19,878;

AIG: 0;

CDCI-TALF-SBA: $475.

Subsidy Cost Allowance;

Total: ($5,627);

CPP: ($1,350);

PPIP: $10;

AIFP: ($4,281);

AIG: 0;

CDCI-TALF-SBA: ($6).

Direct Loans and Equity Investments Outstanding, Net;

Total: $17,869;

CPP: $1,793;

PPIP: $10;

AIFP: $15,597;

AIG: 0;

CDCI-TALF-SBA: $469.

Obligations for Loans and Investments not yet Disbursed;

Total: $984;

CPP: 0;

PPIP: $984;

AIFP: 0;

AIG: 0;

CDCI-TALF-SBA: 0.

Reconciliation of Subsidy Cost Allowance:

Balance, Beginning of Period;

Total: $22,842;

CPP: $2,930;

PPIP: ($1,015);

AIFP: $19,706;

AIG: $1,658;

CDCI-TALF-SBA: ($437).

Subsidy Cost (Income) for Disbursements and Modifications;

Total: ($55);

CPP: 0;

PPIP: 0;

AIFP: 0;

AIG: 0;

CDCI-TALF-SBA: ($55).

Dividend and Interest Income;

Total: $1,092;

CPP: $262;

PPIP: $271;

AIFP: $534;

AIG: 0;

CDCI-TALF-SBA: $25.

Net Proceeds from Sales and Repurchases of Assets in Excess of (Less

than) Cost;

Total: ($5,790);

CPP: ($493);

PPIP: $1,173;

AIFP: ($5,361);

AIG: ($1,679);

CDCI-TALF-SBA: $570.

Net Interest Expense on Borrowings from BPD and Financing Account

Balance;

Total: ($612);

CPP: ($105);

PPIP: ($59);

AIFP: ($412);

AIG: ($11);

CDCI-TALF-SBA: ($25).

Balance, End of Period, Before Reestimates;

Total: $17,366;

CPP: $22,490;

PPIP: $370;

AIFP: $14,467;

AIG: ($32);

CDCI-TALF-SBA: $71.

Subsidy Reestimates - Upward (Downward);

Total: ($11,739);

CPP: ($1,140);

PPIP: ($380);

AIFP: ($10,186);

AIG: $32;

CDCI-TALF-SBA: ($65).

Balance, End of Period;

Total: $22,842;

CPP: $2,930;

PPIP: ($1,015);

AIFP: $19,706;

AIG: $1,658;

CDCI-TALF-SBA: ($437).

Reconciliation of Subsidy Cost (Income):

Subsidy Cost (Income) for Modifications;

Total: ($55);

CPP: 0;

PPIP: 0;

AIFP: 0;

AIG: 0;

CDCI-TALF-SBA: ($55).

Subsidy Reestimates - Upward (Downward);

Total: ($11,739);

CPP: ($1,140);

PPIP: ($380);

AIFP: ($10,186);

AIG: $32;

CDCI-TALF-SBA: $65.

Total Direct Loan and Equity Investment Programs Subsidy Cost (Income);

Total: ($11,739);

CPP: ($1,140);

PPIP: ($380);

AIFP: ($10,186);

AIG: $32;

CDCI-TALF-SBA: ($120).

As of September 30, 2012:

Direct Loans and Equity Investment Programs:

Direct Loans and Equity Investments Outstanding, Gross;

Total: $63,073;

CPP: $8,664;

PPIP: $9,763.

AIFP: $37,252;

AIG: $6,727;

CDCI-TALF-SBA: $667.

Subsidy Cost Allowance;

Total: ($22,842);

CPP: ($2,930);

PPIP: $1,015;

AIFP: ($19,760);

AIG: ($1,658);

CDCI-TALF-SBA: $437.

Direct Loans and Equity Investments Outstanding, Net;

Total: $40,231;

CPP: $5,734;

PPIP: $10,778;

AIFP: $17,546;

AIG: $5,069;

CDCI-TALF-SBA: $1,104.

New Loans or Investments Disbursed;

Total: $1,048;

CPP: 0;

PPIP: $1,048;

AIFP: 0;

AIG: 0;

CDCI-TALF-SBA: 0.

Obligations for Loans and Investments not yet Disbursed;

Total: $4,358;

CPP: 0;

PPIP: $3,058;

AIFP: 0;

AIG: 0;

CDCI-TALF-SBA: $1,300.

Reconciliation of Subsidy Cost Allowance:

Balance, Beginning of Period;

Total: $42,301;

CPP: $4,857;

PPIP: ($2,434);

AIFP: $19,440;

AIG: $20,717;

CDCI-TALF-SBA: ($279).

Subsidy Cost (Income) for Disbursements and Modifications;

Total: $942;

CPP: $973;

PPIP: ($31);

AIFP: 0;

AIG: 0;

CDCI-TALF-SBA: 0.

Dividend and Interest Income;

Total: $2,733;

CPP: $572;

PPIP: $1,426;

AIFP: $534;

AIG: $191;

CDCI-TALF-SBA: $10.

Net Proceeds from Sales and Repurchases of Assets in Excess of (Less

than) Cost;

Total: ($9,788;

CPP: ($285);

PPIP: $223;

AIFP: $9;

AIG: ($9,735);

CDCI-TALF-SBA: 0.

Net Interest Income (Expense) on Borrowings from BPD and Financing

Account Balance;

Total: ($1,626);

CPP: ($290);

PPIP: ($439);

AIFP: ($507);

AIG: ($349);

CDCI-TALF-SBA: ($41).

Balance, End of Period, Before Reestimates;

Total: $34,562;

CPP: $5,827;

PPIP: ($1,255);

AIFP: $19,476;

AIG: $10,842;

CDCI-TALF-SBA: ($310).

Subsidy Reestimates - Upward (Downward);

Total: ($11,720);

CPP: ($2,897);

PPIP: $240;

AIFP: $230;

AIG: ($9,166);

CDCI-TALF-SBA: ($127).

Balance, End of Period;

Total: $22,842;

CPP: $2,930;

PPIP: ($1,015);

AIFP: $19,706;

AIG: $1,658;

CDCI-TALF-SBA: ($437).

Reconciliation of Subsidy Cost (Income):

Subsidy Cost (Income) for Disbursements;

Total: ($31);

CPP: 0;

PPIP: ($31);

AIFP: 0;

AIG: 0;

CDCI-TALF-SBA: 0.

Subsidy Cost (Income) for Modifications;

Total: $973;

CPP: $973;

PPIP: 0;

AIFP: 0;

AIG: 0;

CDCI-TALF-SBA: 0.

Subsidy Reestimates - Upward (Downward);

Total: ($11,720);

CPP: ($2,897);

PPIP: $240;

AIFP: $230;

AIG: ($9,166);

CDCI-TALF-SBA: ($127).

Total Direct Loan and Equity Investment Programs Subsidy Cost (Income);

Total: ($10,778);

CPP: ($1,924);

PPIP: $209;

AIFP: $230;

AIG: ($9,166);

CDCI-TALF-SBA: ($127).

[End of table]

Other Credit Programs:

Asset Guarantee Program:

The Asset Guarantee Program (AGP) provided guarantees for assets held

by systemically significant financial institutions that faced a risk of

losing market confidence due in large part to a portfolio of distressed

or illiquid assets.

Section 102 of the EESA required the Secretary to establish the AGP to

guarantee troubled assets originated or issued prior to March 14, 2008,

including mortgage-backed securities. The OFS completed its only

transaction under the AGP in January 2009, when it finalized the terms

of a guarantee agreement with Citigroup. Under the agreement, the OFS,

the Federal Deposit Insurance Corporation (FDIC), and the FRBNY

(collectively the USG Parties) provided protection against the

possibility of large losses on an asset pool of approximately $301.0

billion of loans and securities backed by residential and commercial

real estate and other such assets, which remained on Citigroup's

balance sheet. The OFS's guarantee was limited to $5.0 billion.

As a premium for the guarantee, Citigroup issued $7.0 billion of

cumulative perpetual preferred stock (subsequently converted to Trust

Preferred Securities with similar terms) with an 8 percent stated

dividend rate and a warrant for the purchase of common stock; $4.0

billion and the warrant were issued to the OFS, and $3.0 billion was

issued to the FDIC. In December 2009, the USG Parties and Citigroup

agreed to terminate the guarantee agreement. Citigroup canceled $1.8

billion of the preferred stock previously issued to OFS. In addition,

the FDIC agreed to transfer to the OFS $800 million of their Trust

Preferred Securities (TruPS) plus dividends by December 31, 2012. The

amount OFS was to receive would be reduced by any losses FDIC incurred

on its Citigroup guaranteed debt. The additional preferred shares from

the FDIC were included in the subsidy calculation for AGP, based on the

net present value of expected future cash inflows.

Only the $800 million of TruPS-related receivable from the FDIC valued

at $967 million was on the OFS Balance Sheet at September 30, 2012. The

TruPS were received, exchanged for subordinated notes, and the notes

sold in 2013 for $894 million. In addition, OFS received $200 million

of dividends on the TruPS in 2013 and the program was closed.

A downward modification of $94 million due to the exchange of TruPS

into subordinated notes and immediate sale of the notes, and net

reestimates including the closing downward reestimate of $24 million

resulted in subsidy income for fiscal year 2013. For fiscal year 2012,

the AGP program recorded a $207 million downward reestimate, due to

revised expectations about the timing of receipt of dividends, interest

on the dividends and the TruPS from the FDIC.

The following table details the changes in the receivable account and

the AGP subsidy cost during fiscal years 2013 and 2012:

Reconciliation of Asset Guarantee Program Receivable:

(Dollars in Millions):

Balance, Beginning of Period;

Fiscal Year 2013: $967;

Fiscal Year 2012: $739.

Subsidy income for modifications;

Fiscal Year 2013: $94;

Fiscal Year 2012: 0.

Dividend Revenue;

Fiscal Year 2013: ($200);

Fiscal Year 2012: 0.

Proceeds from Sales in Excess of Cost;

Fiscal Year 2013: ($894);

Fiscal Year 2012: 0.

Net Interest Expense on Borrowings from BPD and Financing Account

Balance;

Fiscal Year 2013: $9;

Fiscal Year 2012: $21.

Balance, End of Period, Before Reestimates;

Fiscal Year 2013: ($24);

Fiscal Year 2012: $760.

Subsidy Reestimates - Downward;

Fiscal Year 2013: $24;

Fiscal Year 2012: $207.

Balance, End of Period;

Fiscal Year 2013: 0;

Fiscal Year 2012: $967.

Reconciliation of Subsidy Cost (Income):

Subsidy income for modifications;

Fiscal Year 2013: $94;

Fiscal Year 2012: 0.

Subsidy Reestimates - (Downward);

Fiscal Year 2013: ($24);

Fiscal Year 2012: ($207).

Total Subsidy Cost (Income);

Fiscal Year 2013: ($118);

Fiscal Year 2012: ($207).

[End of table]

FHA-Refinance Program:

The OFS entered into a loss-sharing agreement with the FHA to support a

program in which FHA guarantees refinancing of borrowers whose homes

were worth less than the remaining amounts owed under their mortgage

loans. OFS has established a $50 million account, held by a commercial

bank serving as its agent, from which any required reimbursements for

losses will be paid to third party claimants, including banks or other

investors.

During fiscal year 2013, $182 million of loans were disbursed by the

FHA. As of September 30, 2013, 3,015 loans that FHA guaranteed, with a

total value of $489 million, had been refinanced under the program

through May 2013. Effective June 1, 2013, the Treasury Coverage Ratio,

which governs the amount of losses financed by OFS, was recalculated

and it was determined that OFS's guarantee was no longer needed during

the remainder of fiscal year 2013. During fiscal year 2012, $234

million of loans were disbursed by the FHA. As of September 30, 2012,

1,774 loans that FHA had guaranteed, with a total value of $307

million, had been refinanced under the program.

OFS's maximum exposure related to FHA's guarantee totaled $59 million

and $41 million at September 30, 2013 and 2012, respectively. OFS's

guarantee resulted in a liability of $9 million at September 30, 2013

and a liability of $7 million at September 30, 2012. The liability was

calculated, using credit reform accounting, as the present value of the

estimated future cash outflows for the OFS's share of losses incurred

on any defaults of the disbursed loans. As of September 30, 2013,

$47,840 of claims had been paid by OFS under the program. As of

September 30, 2012, no claims had been paid.

At September 30, 2013, OFS's obligation for subsidy for undisbursed

loans was $1.0 billion. This was reduced in fiscal year 2013 from the

$8.1 billion outstanding at September 30, 2012, due to adjustments to

expected participation in the program.

Budget subsidy rates for the program, entirely for defaults, were set

at 2.48 percent and 4.0 percent for loans guaranteed in fiscal years

2013 and 2012, respectively.

The program recorded $3 million downward reestimates each year, for

fiscal years 2013 and 2012, due to reductions in market risks and lower

than projected defaults.

The following table details the changes in the FHA-Refinance Program

Liability and the Subsidy Cost for the program during fiscal years 2013

and 2012:

Reconciliation of FHA-Refinance Program Liability:

(Dollars in Millions):

Balance, Beginning of Period;

Fiscal Year 2013: $7;

Fiscal Year 2012: $1.

Subsidy Cost for Guarantees (Defaults);

Fiscal Year 2013: $5;

Fiscal Year 2012: $9.

Balance, End of Period, Before Reestimates;

Fiscal Year 2013: $12;

Fiscal Year 2012: $10.

Subsidy Reestimates - (Downward);

Fiscal Year 2013: ($3);

Fiscal Year 2012: ($3).

Balance, End of Period;

Fiscal Year 2013: $9;

Fiscal Year 2012: $7.

Reconciliation of Subsidy Cost (Income):

Subsidy Cost for Guarantees (Defaults);

Fiscal Year 2013: $5;

Fiscal Year 2012: $9.

Subsidy Reestimates - (Downward);

Fiscal Year 2013: ($3);

Fiscal Year 2012: ($3).

Total Subsidy Cost (Income);

Fiscal Year 2013: $2;

Fiscal Year 2012: $6.

[End of table]

Note 7. Due To The General Fund:

As of September 30, 2013, the OFS accrued $8.1 billion of downward

reestimates payable to the General Fund. As of September 30, 2012, the

OFS accrued $9.7 billion of downward reestimates payable to the General

Fund. Due to the General Fund is a Non-Entity liability on the Balance

Sheet.

Note 8. Principal Payable To The Bureau Of The Fiscal Service (Fiscal

Service):

Equity investments, direct loans and other credit programs accounted

for under federal credit reform are funded by subsidy appropriations

and borrowings from the Fiscal Service. The OFS also borrows funds to

pay the Treasury General Fund for negative program subsidy costs and

downward reestimates (these reduce program subsidy cost) in advance of

receiving the expected cash flows that cause the negative program

subsidy or downward reestimate. The OFS makes periodic principal:

repayments to the Fiscal Service based on the analysis of its cash

balances and future disbursement needs. All debt is intragovernmental

and covered by budgetary resources. See additional details on borrowing

authority in Note 11, Statement of Budgetary Resources.

Debt transactions for the fiscal years ended September 30, 2013 and

2012, were as follows:

Beginning Balance, Principal Payable to the BPD;

As of September 30, 2013: $52,828;

As of September 30, 2012: $129,497.

New Borrowings;

As of September 30, 2013: $208;

As of September 30, 2012: $2,658.

Repayments;

As of September 30, 2013: ($41,087);

As of September 30, 2012: ($79,327).

Ending Balance, Principal Payable to the BPD;

As of September 30, 2013: $11,949;

As of September 30, 2012: $52,828.

[End of table]

Borrowings from the Fiscal Service by TARP program, outstanding as of

September 30, 2013 and 2012, were as follows:

Capital Purchase Program;

As of September 30, 2013: $1,210;

As of September 30, 2012: $5,150.

CDCI, TALF, and SBA 7(a);

As of September 30, 2013: $551;

As of September 30, 2012: $1,020.

Public-Private Investment Program;

As of September 30, 2013: $305;

As of September 30, 2012: $16,317.

Automotive Industry Financing Program;

As of September 30, 2013: $9,883;

As of September 30, 2012: $17,845.

American International Group, Inc. Investment Program;

As of September 30, 2013: 0;

As of September 30, 2012: $11,736.

Asset Guarantee Program;

As of September 30, 2013: 0;

As of September 30, 2012: $760.

Total Borrowings Outstanding;

As of September 30, 2013: $11,949;

As of September 30, 2012: $52,828.

[End of table]

As of September 30, 2013, borrowings carried remaining terms ranging

from 3 to 28 years, with interest rates from 2.5 percent to 3.8

percent. As of September 30, 2012, borrowings carried remaining terms

ranging from 2 to 29 years, with interest rates from 1.0 percent to 4.4

percent.

Note 9. Commitments And Contingencies:

The OFS is party to various legal actions and claims brought by or

against it. In the opinion of management and the Chief Counsel, the

ultimate resolution of these legal actions and claims will not have a

material effect on the OFS financial statements. The OFS has not

incurred any loss:

contingencies that would be considered probable or reasonably possible

for these cases; therefore, no liability was established. Refer to Note

5 for additional commitments relating to the Treasury Housing Programs

under TARP and Note 6 relating to Direct Loans and Equity Investments,

Net and Other Credit Programs.

Note 10. Statement Of Net Cost:

The Statement of Net Cost (SNC) presents the net cost of (income from)

operations for the OFS under the strategic goal of ensuring the overall

stability and liquidity of the financial system, preventing avoidable

foreclosures and preserving homeownership. The OFS has determined that

all initiatives and programs under the TARP fall within this strategic

goal.

The OFS SNC reports the annual accumulated full cost of the TARP's

output, including both direct and indirect costs of the program

services and output identifiable to TARP, in accordance with SFFAS No.

4, Managerial Cost Accounting Concepts and Standards.

The OFS SNC for fiscal year 2013 includes $856 million of

intragovernmental costs relating to interest expense on borrowings from

the Fiscal Service and $235 million intragovernmental revenues relating

to interest income on financing account balances. The OFS SNC for

fiscal year 2012 includes $2.3 billion of intragovernmental costs

relating to interest expense on borrowings from the Fiscal Service and

$605 million in intragovernmental revenues relating to interest income

on financing account balances.

Subsidy allowance amortization on the SNC is the difference between

interest income on financing fund account balances, dividends and

interest income on direct loans, equity investments and other credit

programs from TARP participants, and interest expense on borrowings

from the Fiscal Service. Credit reform accounting requires that only

subsidy cost, not the net of other costs (interest expense and dividend

and interest income), be reflected in the SNC. The subsidy allowance

account is used to present the loan or equity investment at the

estimated net present value of future cash flows. The OFS SNC includes

$671 million and $1.1 billion of subsidy allowance amortization for

fiscal years 2013 and 2012, respectively.

Note 11. Statement Of Budgetary Resources:

The Statement of Budgetary Resources (SBR) presents information about

total budgetary resources available to the OFS and the status of those

resources. For the year ended September 30, 2013, the OFS's total

resources in budgetary accounts were $22.4 billion and resources in

non-budgetary financing accounts, including borrowing authority and

spending authority from collections of loan principal, liquidation of

equity investments, interest, dividends and fees were $15.6 billion.

For the year ended September 30, 2012, the OFS's total resources in

budgetary accounts were $41.9 billion and resources in non-budgetary

financing accounts were $25.9 billion.

Permanent Indefinite Appropriations:

The OFS receives permanent indefinite appropriations annually, if

necessary, to fund increases in the projected subsidy costs of direct

loans, equity investments and other credit programs as determined by

the reestimation process required by the FCRA.

Additionally, Section 118 of the EESA states that the Secretary may

issue public debt securities and use the resulting funds to carry out

the Act and that any such funds expended or obligated by the Secretary

for actions authorized by this Act, including the payment of

administrative expenses, shall be deemed appropriated at the time of

such expenditure or obligation.

Borrowing Authority:

The OFS is authorized to borrow from the Fiscal Service whenever funds

needed to disburse direct loans and equity investments, and to enter

into asset guarantee and loss-sharing arrangements, exceed subsidy

costs and collections in the non-budgetary financing accounts. For the

year ended September 30, 2013, the OFS had no borrowing authority

available, of the $208 million authorized, since the authority was

used. For the year ended September 30, 2012, the OFS had borrowing

authority available of $2.6 billion, of the $2.7 billion authorized.

The OFS uses dividends and interest received as well as principal

repayments on direct loans and:

liquidation of equity investments to repay debt in the non-budgetary

direct loan, equity investment and other credit program financing

accounts. These receipts are not available for any other use per credit

reform accounting guidance.

Apportionment Categories of Obligations Incurred: Direct versus

Reimbursable Obligations:

All of the OFS apportionments are Direct and are Category B. Category B

apportionments typically distribute budgetary resources on a basis

other than calendar quarters, such as by activities, projects, objects

or a combination of these categories. The OFS obligations incurred are

direct obligations (obligations not financed from intragovernmental

reimbursable agreements).Undelivered Orders:

Undelivered orders as of September 30, 2013 were $29.1 billion in

budgetary accounts and $1.0 billion in non-budgetary financing

accounts. Undelivered orders as of September 30, 2012 were $40.2

billion in budgetary accounts and $5.9 billion in non-budgetary

financing accounts.

Explanation of Differences Between the Statement of Budgetary Resources

and the Budget of the United States Government:

Federal agencies and entities are required to explain material

differences between amounts reported in the SBR and the actual amounts

reported in the Budget of the U.S. Government (the President's Budget).

The President's Budget for 2015, with the "Actual" column completed for

fiscal year 2013, has not yet been published as of the date of these

financial statements. The President's Budget is currently expected to

be published and delivered to Congress in early February 2014. It will

be available from the Government Printing Office.

The 2014 President's Budget, with the "Actual" column completed for the

year ended September 30, 2012, was published in April 2013, and

reconciled to the SBR. The only differences between the two documents

were due to:

\* Rounding;

\* Expired funds that are not shown in the "Actual" column of the

President's Budget.

Note 12. Reconciliation Of Obligations Incurred To Net Cost Of (Income

From) Operations:

The OFS presents the SNC using the accrual basis of accounting. This

differs from the obligation-based measurement of total resources

supplied, both budgetary and from other sources, on the SBR. The

reconciliation of obligations incurred to net cost of operations shown

below categorizes the differences:

between the two, and illustrates that the OFS maintains reconcilable

consistency between the two types of reporting.

The Reconciliation of Obligations Incurred to Net Cost of (Income from)

Operations for the fiscal years ended September 30, 2013 and 2012

follows:

Resources Used to Finance Activities:

(Dollars in millions):

Budgetary Resources Obligated:

Obligations Incurred;

2013: $14,879;

2012: $35,803.

Spending Authority from Offsetting Collections and Recoveries;

2013: ($48,668);

2012: ($87,383).

Offsetting Receipts;

2013: ($13,218);

2012: ($6,063).

Net Obligations;

2013: ($47,007);

2012: ($57,642).

Other Resources;

2013: $1;

2012: $1.

Total Resources Used to Finance Activities;

2013: ($47,006);

2012: ($57,642).

Resources Used to Finance Items Not Part of Net Cost of (Income from)

Operations:

Net Obligations in Direct Loan, Equity Investment and Asset Guarantee

Financing Funds;

2013: $27,322;

2012: $78,988.

Change in Resources Obligated for Goods, Services and Benefits Ordered

but not yet Provided;

2013: $11,164;

2012: $3,157.

Resources that Fund Prior Period Expenses and Net Downward

Reestimates;

2013: $8,957;

2012: ($23,294).

Total Resources Used to Finance Items Not Part of Net Cost of (Income

from) Operations;

2013: $47,443;

2012: $58,851.

Total Resources Used to Finance the Net Cost of (Income from)

Operations;

2013: $437;

2012: $1,209.

Components of Net Cost of (Income from) Operations that Will Not

Require or Generate Resources in the Current Period:

Accrued Net Downward Reestimates at Year-End;

2013: ($8,139);

2012: ($8,958).

Other;

2013: $1;

2012: $1.

Total Components of Net Cost of (Income from) Operations that Will Not

Require or Generate Resources in the Current Period;

2013: ($8,138);

2012: ($8,957).

Net Cost of (Income from) Operations;

2013: ($7,701);

2012: ($7,748).

[End of table]

Office Of Financial Stability (Troubled Asset Relief Program):

Required Supplementary Information Combined Statement Of Budgetary

Resources For the Year Ended September 30, 2013 (Unaudited):

Dollars in Millions:

Budgetary Resources:

Unobligated Balances Brought Forward;

Combined Budgetary Accounts: $14,350;

Combined Nonbudgetary Financing Accounts: $17,631;

TARP Programs Budgetary Accounts: $14,071;

TARP Programs Nonbudgetary Financing Accounts: $17,631;

TARP Administrative Budgetary Accounts: $279;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Recoveries of Prior Year Unpaid Obligations;

Combined Budgetary Accounts: $7,246;

Combined Nonbudgetary Financing Accounts: $4,941;

TARP Programs Budgetary Accounts: $7,219;

TARP Programs Nonbudgetary Financing Accounts: $4,941;

TARP Administrative Budgetary Accounts: $27;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Borrowing Authority Withdrawn;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: ($2,611);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($2,611);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Actual Repayment of Debt, Prior Year Balance;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: ($17,738);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($17,738);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Unobligated Balance from Prior Year Budget Authority, Net:

Combined Budgetary Accounts: $21,596;

Combined Nonbudgetary Financing Accounts: $2,223;

TARP Programs Budgetary Accounts: $21,290;

TARP Programs Nonbudgetary Financing Accounts: $2,223;

TARP Administrative Budgetary Accounts: $306;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Appropriations;

Combined Budgetary Accounts: $788;

Combined Nonbudgetary Financing Accounts: 0;

TARP Programs Budgetary Accounts: $483;

TARP Programs Nonbudgetary Financing Accounts: 0;

TARP Administrative Budgetary Accounts: $305;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Budget Authority:

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: $208;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $208;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Spending Authority from Offsetting Collections;

Combined Budgetary Accounts: $1;

Combined Nonbudgetary Financing Accounts: $13,131;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $13,131;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Total Budget Resources (Note 11);

Combined Budgetary Accounts: $22,385;

Combined Nonbudgetary Financing Accounts: $15,562;

TARP Programs Budgetary Accounts: $21,773;

TARP Programs Nonbudgetary Financing Accounts: $15,562;

TARP Administrative Budgetary Accounts: $612;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Status Of Budgetary Resources:

Obligations Incurred;

Combined Budgetary Accounts: $779;

Combined Nonbudgetary Financing Accounts: $14,100;

TARP Programs Budgetary Accounts: $483;

TARP Programs Nonbudgetary Financing Accounts: $14,100;

TARP Administrative Budgetary Accounts: $296;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Unobligated Balance: Apportioned;

Combined Budgetary Accounts: $11;

Combined Nonbudgetary Financing Accounts: $668;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $668;

TARP Administrative Budgetary Accounts: $11;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Unapportioned;

Combined Budgetary Accounts: $21,595;

Combined Nonbudgetary Financing Accounts: $794;

TARP Programs Budgetary Accounts: $21,290;

TARP Programs Nonbudgetary Financing Accounts: $794;

TARP Administrative Budgetary Accounts: $305;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Total Unobligated Balance;

Combined Budgetary Accounts: $21,606;

Combined Nonbudgetary Financing Accounts: $1,462;

TARP Programs Budgetary Accounts: $21,290;

TARP Programs Nonbudgetary Financing Accounts: $1,462;

TARP Administrative Budgetary Accounts: $316;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Total Status Of Budgetary Resources;

Combined Budgetary Accounts: $22,385;

Combined Nonbudgetary Financing Accounts: $15,562;

TARP Programs Budgetary Accounts: $21,773;

TARP Programs Nonbudgetary Financing Accounts: $15,562;

TARP Administrative Budgetary Accounts: $612;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Change In Obligated Balances:

Obligated Balance Brought Forward:

Unpaid Obligations Brought Forward, October 1;

Combined Budgetary Accounts: $40,548;

Combined Nonbudgetary Financing Accounts: $5,926;

TARP Programs Budgetary Accounts: $40,384;

TARP Programs Nonbudgetary Financing Accounts: $5,926;

TARP Administrative Budgetary Accounts: $164;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Obligations Incurred;

Combined Budgetary Accounts: $779;

Combined Nonbudgetary Financing Accounts: $14,100;

TARP Programs Budgetary Accounts: $483;

TARP Programs Nonbudgetary Financing Accounts: $14,100;

TARP Administrative Budgetary Accounts: $296;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Gross Outlays;

Combined Budgetary Accounts: ($4,675);

Combined Nonbudgetary Financing Accounts: ($14,092);

TARP Programs Budgetary Accounts: ($4,427);

TARP Programs Nonbudgetary Financing Accounts: ($14,092);

TARP Administrative Budgetary Accounts: ($248);

TARP Administrative Nonbudgetary Financing Accounts: 0.

Recoveries of Prior Year Unpaid Obligations;

Combined Budgetary Accounts: ($7,246);

Combined Nonbudgetary Financing Accounts: ($4,941);

TARP Programs Budgetary Accounts: ($7,219);

TARP Programs Nonbudgetary Financing Accounts: ($4,941);

TARP Administrative Budgetary Accounts: ($27);

TARP Administrative Nonbudgetary Financing Accounts: 0.

Unpaid Obligations, end of year;

Combined Budgetary Accounts: $29,406;

Combined Nonbudgetary Financing Accounts: $993;

TARP Programs Budgetary Accounts: $29,211;

TARP Programs Nonbudgetary Financing Accounts: $993;

TARP Administrative Budgetary Accounts: $185;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Uncollected Payments from Federal Sources:

Uncollected Payments Brought Forward, October 1;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: ($349);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($349);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Change in Uncollected Payments;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: $123;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $123;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Uncollected Payments from Federal Sources, end of year;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: ($226);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($226);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Obligated Balance, Net, end of year;

Combined Budgetary Accounts: $29,406;

Combined Nonbudgetary Financing Accounts: $767;

TARP Programs Budgetary Accounts: $29,211;

TARP Programs Nonbudgetary Financing Accounts: $767;

TARP Administrative Budgetary Accounts: $185;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Obligated Balance (Net, of unpaid obligations and uncollected payment

above):

Unpaid Obligations, Net, brought forward, October 1;

Combined Budgetary Accounts: $40,548;

Combined Nonbudgetary Financing Accounts: $5,577;

TARP Programs Budgetary Accounts: $40,384;

TARP Programs Nonbudgetary Financing Accounts: $5,577;

TARP Administrative Budgetary Accounts: $164;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Obligated Balance, Net, End of Year;

Combined Budgetary Accounts: $29,406;

Combined Nonbudgetary Financing Accounts: $767;

TARP Programs Budgetary Accounts: $29,221;

TARP Programs Nonbudgetary Financing Accounts: $767;

TARP Administrative Budgetary Accounts: $185;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Budget Authority and Outlays, Net:

Budget Authority, Gross;

Combined Budgetary Accounts: $789;

Combined Nonbudgetary Financing Accounts: $13,339;

TARP Programs Budgetary Accounts: $483;

TARP Programs Nonbudgetary Financing Accounts: $13,339;

TARP Administrative Budgetary Accounts: $306;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Actual Offsetting Collections;

Combined Budgetary Accounts: ($1);

Combined Nonbudgetary Financing Accounts: ($36,604);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($36,604);

TARP Administrative Budgetary Accounts: ($1);

TARP Administrative Nonbudgetary Financing Accounts: 0.

Change in Uncollected Customer Payments from Federal Sources;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: $123;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $123;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Budget Authority and Outlays, Net:

Budget Authority, Gross:

Combined Budgetary Accounts: $789;

Combined Nonbudgetary Financing Accounts: $13,339;

TARP Programs Budgetary Accounts: $483;

TARP Programs Nonbudgetary Financing Accounts: $13,339;

TARP Administrative Budgetary Accounts: $306;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Actual Offsetting Collections:

Combined Budgetary Accounts: ($1);

Combined Nonbudgetary Financing Accounts: ($36,604);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($36,604);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Change in Uncollected Customer Payments from Federal Sources;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: $123;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $123;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Budget Authority, Net:

Combined Budgetary Accounts: $788;

Combined Nonbudgetary Financing Accounts: ($23,142);

TARP Programs Budgetary Accounts: $483;

TARP Programs Nonbudgetary Financing Accounts: ($23,142);

TARP Administrative Budgetary Accounts: $305;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Gross Outlays:

Combined Budgetary Accounts: $4,675;

Combined Nonbudgetary Financing Accounts: $14,092;

TARP Programs Budgetary Accounts: $4,427;

TARP Programs Nonbudgetary Financing Accounts: $14,092;

TARP Administrative Budgetary Accounts: $248;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Actual Offsetting Collections:

Combined Budgetary Accounts: ($1);

Combined Nonbudgetary Financing Accounts: ($36,604);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($36,604);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Net Outlays:

Combined Budgetary Accounts: $4,674;

Combined Nonbudgetary Financing Accounts: $22,512;

TARP Programs Budgetary Accounts: $4,427;

TARP Programs Nonbudgetary Financing Accounts: ($22,512);

TARP Administrative Budgetary Accounts: $247;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Distributed Offsetting Receipts;

Combined Budgetary Accounts: ($13,218);

Combined Nonbudgetary Financing Accounts: 0;

TARP Programs Budgetary Accounts: ($13,218);

TARP Programs Nonbudgetary Financing Accounts: 0;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Agency Outlays, Net;

Combined Budgetary Accounts: ($8,544);

Combined Nonbudgetary Financing Accounts: ($22,512);

TARP Programs Budgetary Accounts: ($8,791);

TARP Programs Nonbudgetary Financing Accounts: ($22,512);

TARP Administrative Budgetary Accounts: $275;

TARP Administrative Nonbudgetary Financing Accounts: 0.

[End of table]

Office Of Financial Stability (Troubled Asset Relief Program):

Required Supplementary Information Combined Statement Of Budgetary

Resources For the Year Ended September 30, 2012 (Unaudited):

Dollars in Millions:

Budgetary Resources:

Unobligated Balances Brought Forward;

Combined Budgetary Accounts: $14,166;

Combined Nonbudgetary Financing Accounts: $21,143;

TARP Programs Budgetary Accounts: $13,967;

TARP Programs Nonbudgetary Financing Accounts: $21,143;

TARP Administrative Budgetary Accounts: $199;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Recoveries of Prior Year Unpaid Obligations;

Combined Budgetary Accounts: $146;

Combined Nonbudgetary Financing Accounts: $6,114;

TARP Programs Budgetary Accounts: $104;

TARP Programs Nonbudgetary Financing Accounts: $6,114;

TARP Administrative Budgetary Accounts: $42;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Borrowing Authority Withdrawn;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: ($5,832);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($5,832);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Actual Repayment of Debt, Prior Year Balance;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: ($19,900);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($19,900);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Unobligated Balance from Prior Year Budget Authority, Net:

Combined Budgetary Accounts: $14,312;

Combined Nonbudgetary Financing Accounts: $15,245;

TARP Programs Budgetary Accounts: $14,071;

TARP Programs Nonbudgetary Financing Accounts: $1,525;

TARP Administrative Budgetary Accounts: $241;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Appropriations;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: 0;

TARP Programs Budgetary Accounts: $27,270;

TARP Programs Nonbudgetary Financing Accounts: 0;

TARP Administrative Budgetary Accounts: $323;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Budget Authority:

Combined Budgetary Accounts: $27,593;

Combined Nonbudgetary Financing Accounts: $2,659;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $2,659;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Spending Authority from Offsetting Collections;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: $21,695;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $21,695;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Change in Unfilled Orders Without Advance;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: ($23,320);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($23,320);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Total Budget Resources (Note 11);

Combined Budgetary Accounts: $41,905;

Combined Nonbudgetary Financing Accounts: $25,879;

TARP Programs Budgetary Accounts: $41,341;

TARP Programs Nonbudgetary Financing Accounts: $25,879;

TARP Administrative Budgetary Accounts: $564;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Status Of Budgetary Resources:

Obligations Incurred;

Combined Budgetary Accounts: $27,555;

Combined Nonbudgetary Financing Accounts: $8,248;

TARP Programs Budgetary Accounts: $27,270;

TARP Programs Nonbudgetary Financing Accounts: $8,248;

TARP Administrative Budgetary Accounts: $285;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Unobligated Balance: Apportioned;

Combined Budgetary Accounts: $41;

Combined Nonbudgetary Financing Accounts: $3,946;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $3,946;

TARP Administrative Budgetary Accounts: $41;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Unapportioned;

Combined Budgetary Accounts: $14,309;

Combined Nonbudgetary Financing Accounts: $13,685;

TARP Programs Budgetary Accounts: $14,071;

TARP Programs Nonbudgetary Financing Accounts: $13,685;

TARP Administrative Budgetary Accounts: $238;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Total Unobligated Balance;

Combined Budgetary Accounts: $14,350;

Combined Nonbudgetary Financing Accounts: $17,631;

TARP Programs Budgetary Accounts: $14,071;

TARP Programs Nonbudgetary Financing Accounts: $17,631;

TARP Administrative Budgetary Accounts: $279;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Total Status Of Budgetary Resources;

Combined Budgetary Accounts: $41,905;

Combined Nonbudgetary Financing Accounts: $25,879;

TARP Programs Budgetary Accounts: $41,341;

TARP Programs Nonbudgetary Financing Accounts: $25,879;

TARP Administrative Budgetary Accounts: $564;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Change In Obligated Balances:

Obligated Balance Brought Forward:

Unpaid Obligations;

Combined Budgetary Accounts: $43,814;

Combined Nonbudgetary Financing Accounts: $13,158;

TARP Programs Budgetary Accounts: $43,618;

TARP Programs Nonbudgetary Financing Accounts: $13,158;

TARP Administrative Budgetary Accounts: $196;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Uncollected Customer Payments from Federal Sources;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: ($496);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($496);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Obligated Balance, Net, Brought Forward;

Combined Budgetary Accounts: $43,814

Combined Nonbudgetary Financing Accounts: $12,662;

TARP Programs Budgetary Accounts: $43,618;

TARP Programs Nonbudgetary Financing Accounts: $12,662;

TARP Administrative Budgetary Accounts: $196;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Obligations Incurred;

Combined Budgetary Accounts: $27,555;

Combined Nonbudgetary Financing Accounts: $8,248;

TARP Programs Budgetary Accounts: $27,270;

TARP Programs Nonbudgetary Financing Accounts: $8,248;

TARP Administrative Budgetary Accounts: $285;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Gross Outlays;

Combined Budgetary Accounts: ($30,675);

Combined Nonbudgetary Financing Accounts: ($9,366);

TARP Programs Budgetary Accounts: ($30,400);

TARP Programs Nonbudgetary Financing Accounts: ($9,366);

TARP Administrative Budgetary Accounts: ($275);

TARP Administrative Nonbudgetary Financing Accounts: 0.

Recoveries of Prior Year Unpaid Obligations;

Combined Budgetary Accounts: ($146);

Combined Nonbudgetary Financing Accounts: ($6,114);

TARP Programs Budgetary Accounts: ($104);

TARP Programs Nonbudgetary Financing Accounts: ($6,114);

TARP Administrative Budgetary Accounts: ($42);

TARP Administrative Nonbudgetary Financing Accounts: 0.

Obligated Balance, Net, End of Period:

Unpaid Obligations, Gross, End of Period;

Combined Budgetary Accounts: $40,548;

Combined Nonbudgetary Financing Accounts: $5,926;

TARP Programs Budgetary Accounts: $40,384;

TARP Programs Nonbudgetary Financing Accounts: $5,926;

TARP Administrative Budgetary Accounts: $164;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Uncollected Customer Payments from Federal Sources;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: $349;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $349;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Obligated Balance, Net, End of Period;

Combined Budgetary Accounts: $40,548;

Combined Nonbudgetary Financing Accounts: $5,577;

TARP Programs Budgetary Accounts: $40,384;

TARP Programs Nonbudgetary Financing Accounts: $5,577;

TARP Administrative Budgetary Accounts: $164;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Budget Authority and Outlays, Net:

Budget Authority, Gross;

Combined Budgetary Accounts: $27,593;

Combined Nonbudgetary Financing Accounts: $24,354;

TARP Programs Budgetary Accounts: $27,270;

TARP Programs Nonbudgetary Financing Accounts: $24,354;

TARP Administrative Budgetary Accounts: $323;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Actual Offsetting Collections;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: ($81,269);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($81,269);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Change in Uncollected Customer Payments from Federal Sources;

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: $147;

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: $147;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Budget Authority, Net:

Combined Budgetary Accounts: $27,593);

Combined Nonbudgetary Financing Accounts: ($56,768);

TARP Programs Budgetary Accounts: $27,270;

TARP Programs Nonbudgetary Financing Accounts: ($56,768);

TARP Administrative Budgetary Accounts: $323;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Gross Outlays:

Combined Budgetary Accounts: $30,675;

Combined Nonbudgetary Financing Accounts: $9,366;

TARP Programs Budgetary Accounts: $30,400;

TARP Programs Nonbudgetary Financing Accounts: $9,366;

TARP Administrative Budgetary Accounts: $275;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Actual Offsetting Collections:

Combined Budgetary Accounts: 0;

Combined Nonbudgetary Financing Accounts: ($81,269);

TARP Programs Budgetary Accounts: 0;

TARP Programs Nonbudgetary Financing Accounts: ($81,269);

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Net Outlays:

Combined Budgetary Accounts: $30,675;

Combined Nonbudgetary Financing Accounts: ($71,903);

TARP Programs Budgetary Accounts: $30,400;

TARP Programs Nonbudgetary Financing Accounts: ($71,903);

TARP Administrative Budgetary Accounts: $275;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Distributed Offsetting Receipts;

Combined Budgetary Accounts: ($6,063);

Combined Nonbudgetary Financing Accounts: 0;

TARP Programs Budgetary Accounts: ($6,063);

TARP Programs Nonbudgetary Financing Accounts: 0;

TARP Administrative Budgetary Accounts: 0;

TARP Administrative Nonbudgetary Financing Accounts: 0.

Agency Outlays, Net;

Combined Budgetary Accounts: $24,612;

Combined Nonbudgetary Financing Accounts: ($71,903);

TARP Programs Budgetary Accounts: $24,337;

TARP Programs Nonbudgetary Financing Accounts: ($71,903);

TARP Administrative Budgetary Accounts: $275;

TARP Administrative Nonbudgetary Financing Accounts: 0.

[End of table]

Office of Financial Stability - Troubled Asset Relief Program

Other Information:

Schedule Of Spending:

For the Years Ended September 30, 2013 and 2012 (Unaudited):

(Dollars in MIllions)

What Is Available To Spend?

Total Resources per Statement of Budgetary Resources (SBR):

2013:

Budgetary Accounts: $22,385;

Nonbudgetary Financing Accounts: $15,562;

2012:

Budgetary Accounts: $41,905;

Nonbudgetary Financing Accounts: $25,879.

Less Amount Apportioned (not yet agreed to be spent);

2013:

Budgetary Accounts: ($11);

Nonbudgetary Financing Accounts: ($668);

2012:

Budgetary Accounts: ($41);

Nonbudgetary Financing Accounts: ($3,946).

Less Amount Unapportioned (not yet available to be spent);

2013:

Budgetary Accounts: ($21,595);

Nonbudgetary Financing Accounts: ($794);

2012:

Budgetary Accounts: ($14,309);

Nonbudgetary Financing Accounts: ($13,685).

Amount Available To Spend-Obligations Incurred Per SBR;

2013:

Budgetary Accounts: $779;

Nonbudgetary Financing Accounts: $14,100;

2012:

Budgetary Accounts: $27,555;

Nonbudgetary Financing Accounts: $8,248.

How Was The Amount Spent?

Personnel Compensation;

2013:

Budgetary Accounts: $17.

Nonbudgetary Financing Accounts: 0;

2012:

Budgetary Accounts: $22;

Nonbudgetary Financing Accounts: 0.

Personnel Benefits;

2013:

Budgetary Accounts: $5;

Nonbudgetary Financing Accounts: 0;

2012:

Budgetary Accounts: $6;

Nonbudgetary Financing Accounts: 0.

Travel and Transportation;

2013:

Budgetary Accounts: $1;

Nonbudgetary Financing Accounts: 0;

2012:

Budgetary Accounts: $1;

Nonbudgetary Financing Accounts: 0.

Supplies and Materials;

2013:

Budgetary Accounts: $1;

Nonbudgetary Financing Accounts: 0;

2012:

Budgetary Accounts: $2;

Nonbudgetary Financing Accounts: 0.

Other Services;

2013:

Budgetary Accounts: $272;

Nonbudgetary Financing Accounts: $26;

2012:

Budgetary Accounts: $254;

Nonbudgetary Financing Accounts: $20.

Interest;

2013:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: $856;

2012:

Budgetary Accounts: 0;

Nonbudgetary Financing Accounts: $2,252.

Subsidies, including Reestimates for Previously Disbursed Loans and

Investments Outstanding[7]:

2013:

Budgetary Accounts: $483;

Nonbudgetary Financing Accounts: $13,218;

2012:

Budgetary Accounts: $27,270;

Nonbudgetary Financing Accounts: $5,976.

Amount Available To Spend-Obligations Incurred Per SBR:

2013:

Budgetary Accounts: $779;

Nonbudgetary Financing Accounts: $14,100;

2012:

Budgetary Accounts: $27,555;

Nonbudgetary Financing Accounts: $8,248.

To Whom Were The Obligations Made?

Federal Agencies and Entities;

2013:

Budgetary Accounts: $505;

Nonbudgetary Financing Accounts: $14,074;

2012:

Budgetary Accounts: $27,306;

Nonbudgetary Financing Accounts: $8,228.

Non-Federal Companies - Freddie Mac/Fannie Mae for Housing

2013:

Budgetary Accounts: $215;

Nonbudgetary Financing Accounts: 0;

2012:

Budgetary Accounts: $164;

Nonbudgetary Financing Accounts: 0.

Non-Federal Companies - All Other;

2013:

Budgetary Accounts: $41;

Nonbudgetary Financing Accounts: $26;

2012:

Budgetary Accounts: $60;

Nonbudgetary Financing Accounts: $20.

Non-Federal Individuals;

2013:

Budgetary Accounts: $18;

Nonbudgetary Financing Accounts: 0;

2012:

Budgetary Accounts: $25;

Nonbudgetary Financing Accounts: 0.

Amount Available To Spend-Obligations Incurred Per SBR:

2013:

Budgetary Accounts: $779;

Nonbudgetary Financing Accounts: $14,100;

2012:

Budgetary Accounts: $27,555;

Nonbudgetary Financing Accounts: $8,248.

[End of table]

The Schedule of Spending presents an overview of obligations incurred

subtotaled by purpose and again by type of entity to be paid.

Obligations are legally binding agreements that usually result in

outlays, immediately or in the future. The schedule presents more

detail than the Statement of Budgetary Resources, although the data

used to populate both is the same.

The section "How Was the Amount Spent" presents obligations committed

to in each fiscal year for services received, supplies purchased,

subsidies and program loans or investments made, even if actual receipt

of services or goods has not yet occurred or payments have not yet been

made for particular obligations. While most obligations become

contractual agreements for which services and goods are received in the

same fiscal year as established, certain obligations or portions of

obligations reported here may never be used. These unused amounts, when

closed, are reported as "Recoveries of Prior-Year Unpaid Obligations"

on the SBR.[Footnote 7]

Part 2 Footnotes:

[1] Section 101 of the Emergency Economic Stabilization Act of 2008,

Pub. L. No. 110-343, div. A, 122 Stat 3765, 3767 (Oct. 3, 2008),

classified at 12 U.S.C. § 5211, established OFS within the Department

of the Treasury (Treasury) to implement TARP.

[2] EESA is classified, in part, as amended, as sections 5201 through

5261 of Title 31 of the United States Code. Section 116(b) of EESA, 12

U.S.C. § 5226(b), requires that Treasury annually prepare and submit

to Congress and the public audited fiscal year financial statements

for TARP that are prepared in accordance with generally accepted

accounting principles. Section 116(b) further requires that GAO audit

TARP's financial statements annually in accordance with generally

accepted auditing standards.

[3] EESA § 116(a)(3), 12 U.S.C. § 5226(a)(3).

[4] A material weakness is a deficiency, or combination of

deficiencies, in internal control over financial reporting, such that

there is a reasonable possibility that a material misstatement of the

entity's financial statements will not be prevented, or detected and

corrected, on a timely basis. A deficiency in internal control exists

when the design or operation of a control does not allow management or

employees, in the normal course of performing their assigned functions,

to prevent, or detect and correct, misstatements on a timely basis.

[5] The subsidy cost or income is composed of (1) the change in the

subsidy cost allowance, net of write-offs; (2) net intragovernmental

interest cost; (3) certain inflows from the direct loans and equity

investments (e.g., dividends, interest, net proceeds from sales and

repurchases of assets in excess of cost, and other realized fees); and

(4) the change in the estimated discounted net cash flows related to

other credit programs (asset guarantee program and Federal Housing

Administration refinance program).

[6] The Dodd-Frank Wall Street Reform and Consumer Protection Act,

Pub. L. No. 111-203, title XIII, § 1302, 124 Stat. 1376, 2133 (July

21, 2010), (1) limited Treasury's authority to purchase or guarantee

troubled assets to a maximum of $475 billion; (2) changed this limit

to a cap on all purchases and guarantees made without regard to

subsequent sale, repayment, or cancellation of assets or guarantees;

and (3) prohibited Treasury, under EESA, from incurring any

obligations for a program or initiative unless the program or

initiative had already been initiated prior to June 25, 2010.

[7] A significant deficiency is a deficiency, or a combination of

deficiencies, in internal control that is less severe than a material

weakness, yet important enough to merit attention by those charged with

governance.

[8] RSI is comprised of "Management's Discussion and Analysis" and the

"Combined Statement of Budgetary Resources" that are included with the

financial statements.

[9] Other information is comprised of information included with the

financial statements, other than RSI and the auditor's report.

[End of Part 2]

Part 3: Appendices:

Appendix A: Tarp Glossary:

Asset-Backed Security (ABS): A financial instrument representing an

interest in a pool of other assets, typically consumer loans. Most ABS

are backed by credit card receivables, auto loans, student loans, or

other loan and lease obligations.

Asset Guarantee Program (AGP): A TARP program under which OFS, together

with the Federal Reserve and the FDIC, agreed to share losses on

certain pools of assets held by systemically significant financial

institutions that faced a high risk of losing market confidence due in

large part to a portfolio of distressed or illiquid assets.

Automotive Industry Financing Program (AIFP): A TARP program under

which OFS provided loans or equity investments in order to avoid a

disorderly bankruptcy of one or more auto companies that would have

posed a systemic risk to the country's financial system.

Capital Purchase Program (CPP): A TARP program pursuant to which OFS

invested in preferred equity securities and other securities issued by

financial institutions.

Commercial Mortgage-Backed Securities (CMBS): A financial instrument

representing an interest in a commercial real estate mortgage or a

group of commercial real estate mortgages.

Community Development Capital Initiative (CDCI): A TARP program that

provides low-cost capital to Community Development Financial

Institutions to encourage lending to small businesses and help

facilitate the flow of credit to individuals in underserved

communities.

Community Development Financial Institution (CDFI): A financial

institution that focuses on providing financial services to low-and

moderate-income, minority and other underserved communities, and is

certified by the CDFI Fund, an office within OFS that promotes

economic revitalization and community development.

Debtor-In-Possession (DIP): A debtor-in-possession in U. S. bankruptcy

law has filed a bankruptcy petition but still remains in possession of

its property. DIP financing usually has priority over existing debt,

equity and other claims.

Emergency Economic Stabilization Act (EESA): The law that created the

Troubled Asset Relief Program (TARP).

Government-Sponsored Enterprises (GSEs): Private corporations created

by the U.S. Government. Fannie Mae and Freddie Mac are GSEs.

Home Affordable Modification Program (HAMP): A TARP program OFS

established to help responsible but struggling homeowners reduce their

mortgage payments to affordable levels and avoid foreclosure.

Legacy Securities: CMBS and non-agency RMBS issued prior to 2009 that

were originally rated AAA or an equivalent rating by two or more

nationally recognized statistical rating organizations without ratings

enhancement and that are secured directly by actual mortgage loans,

leases or other assets and not other securities.

Making Home Affordable (MHA): A comprehensive plan to stabilize the

U.S. housing market and help responsible, but struggling, homeowners

reduce their monthly mortgage payments to more affordable levels and

avoid foreclosure. HAMP is part of MHA.

Mortgage-Backed Securities (MBS): A type of ABS representing an

interest in a pool of similar mortgages bundled together by a financial

institution.

Non-Agency Residential Mortgage-Backed Securities: RMBS that are not

guaranteed or issued by Freddie Mac, Fannie Mae, any other GSE, Ginnie

Mae, or a U.S. federal government agency.

Preferred Stock: Equity ownership that usually pays a fixed dividend

and gives the holder a claim on corporate earnings superior to common

stock owners. Preferred stock also has priority in the distribution of

assets in the case of liquidation of a bankrupt company.

Public-Private Investment Fund (PPIF): An investment fund established

to purchase Legacy Securities from financial institutions under PPIP.

Public-Private Investment Program (PPIP): A TARP program designed to

support the secondary market in mortgage-backed securities. The program

is designed to increase the flow of credit throughout the economy by

partnering with private investors to purchase Legacy Securities from

financial institutions.

Qualifying Financial Institution (QFI): Private and public U.S.-

controlled banks, savings associations, bank holding companies, certain

savings and loan holding companies, and mutual organizations.

Residential Mortgage-Backed Securities (RMBS): A financial instrument

representing an interest in a group of residential real estate

mortgages.

SBA: U.S. Small Business Administration.

SBA 7(a) Securities Purchase Program: A TARP program under which OFS

purchased securities backed by the guaranteed portions of the SBA 7(a)

loans.

Servicer: An administrative third party that collects mortgage

payments, handles tax and insurance escrows, and may even bring

foreclosure proceedings on past due mortgages for institutional loan

owners or originators. The loan servicer also generates reports for

borrowers and mortgage owners on the collections.

Targeted Investment Program (TIP): A TARP program created to stabilize

the financial system by making investments in institutions that are

critical to the functioning of the financial system. :

Term Asset-Backed Securities Loan Facility (TALF): A program under

which the Federal Reserve Bank of New York made term non-recourse loans

to buyers of AAA-rated Asset-Backed Securities in order to stimulate

consumer and business lending.

Troubled Asset Relief Program (TARP): The Troubled Asset Relief

Program, which was established under EESA to help stabilize the

financial system and prevent a systemic collapse.

Trust Preferred Security (TruPS): A security that has both equity and

debt characteristics, created by establishing a trust and issuing debt

to it. TruPS are treated as capital, not debt, for regulatory purposes.

Warrant: A financial instrument that represents the right, but not the

obligation, to purchase a certain number of shares of common stock of a

company at a fixed price.

[End of Appendix A]

Appendix B: Abbreviations And Acronyms:

ABS: Asset-Backed Securities:

AGP: Asset Guarantee Program:

AIFP: Automotive Industry Financing Program:

AIG: American International Group, Inc.

CAP: Capital Assistance Program:

CDFI: Community Development Financial Institution:

CMBS: Commercial Mortgage-Backed Securities:

CP: Commercial Paper:

COP: Congressional Oversight Panel:

CPP: Capital Purchase Program:

CDCI: Community Development Capital Initiative:

DIP: Debtor-In-Possession:

EESA: Emergency Economic Stabilization Act of 2008:

FCRA: Federal Credit Reform Act of 1990:

FHA: Federal Housing Administration:

FRBNY: Federal Reserve Bank of New York:

GAO: Government Accountability Office:

GSE: Government-Sponsored Enterprise:

HAFA: Home Affordable Foreclosure Alternatives:

HHF: Hardest Hit Fund:

HAMP: Home Affordable Modification Program:

HPDP: Home Price Decline Protection:

MBS: Mortgage-Backed Security:

MHA: Making Home Affordable Program:

OFS: Office of Financial Stability:

OMB: Office of Management and Budget:

PPIF: Public-Private Investment Fund:

PPIP: Public-Private Investment Program:

PRA: Principal Reduction Alternative:

QFI: Qualifying Financial Institution:

RMBS: Residential Mortgage-Backed Securities:

SCAP: Supervisory Capital Assessment Program:

SIGTARP: Special Inspector General for the Troubled Asset Relief

Program:

SPV: Special Purpose Vehicle:

TAIFF: Troubled Assets Insurance Financing Fund:

TALF: Term Asset-Backed Securities Loan Facility:

TARP: Troubled Asset Relief Program:

TIP: Targeted Investment Program:

TruPS: Trust Preferred Securities:

USDA: U. S. Department of Agriculture:

[End of Appendix B]

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[hyperlink, http://www.FinancialStability.gov]

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Documents Referenced in the AFR:

Monthly Reports to Congress:

[hyperlink, http://http://www.treasury.gov/initiatives/financial-

stability/reports/Pages/Monthly-Report-to-Congress.aspx]

The Financial Crisis Response in Charts – April 2012:

[hyperlink, http://http://www.treasury.gov/resource-center/data-chart-

center/Documents/20120413\_FinancialCrisisResponse.pdf].

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[hyperlink, http://http://www.treasury.gov/initiatives/financial-

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[End of document]