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

November 17, 2009

MEMORANDUM TO: The Board of Directors

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

Bret D. Edwards
Director, Division of Finance

SUBJECT: Third Quarter 2009 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the period ending September 30, 2009.

Executive Summary

- The Deposit Insurance Fund (DIF) balance decreased by $18.6 billion (180 percent) to negative $8.2 billion during the third quarter of 2009. The third quarter 2009 decrease was primarily due to a $21.7 billion increase in the provision for insurance losses, which was partially offset by a $3.0 billion increase in assessment revenue.

- During the third quarter of 2009, the FDIC was named receiver for 50 failed institutions. The combined assets at inception for these institutions totaled approximately $70.2 billion with an estimated loss totaling $14.3 billion. The corporate cash outlay during the third quarter for these failures was $16.5 billion. Thirty-six receiverships entered into loss-share agreements with the acquiring institutions and are expected to pay approximately $7.6 billion to acquirers over the length of the agreements.

- For the nine months ending September 30, 2009, Corporate Operating and Investment Budget related expenditures ran 6 percent ($92.1 million) below budget and 3 percent ($0.1 million) over budget,[1] respectively. The variance with respect to the Corporate Operating Budget was primarily in the Receivership Funding budget component, where spending in all except one expense category was below budget through the third quarter. This Ongoing Operations Budget surplus is expected to be consumed as expenses increase during the fourth quarter due to accelerating resolution activity. Detailed quarterly reports are provided separately to the Board by the Capital Investment Review Committee for those information technology projects that are included in the Investment Budget.

[1] Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2009 spending estimates for approved projects. Both IT projects with investment budget funding remain within their approved investment budget amounts.

The following is an assessment of each of the three major finance areas: financial statements, investments, and budget.

Trends and Outlook	
Financial Results	Comments
I. Financial Statements	• During the third quarter of 2009, the DIF balance declined by $18.6 billion to negative $8.2 billion largely due to loss provisions for future failures. The FDIC projects the DIF will remain negative over the next several years because approximately $75.0 billion in failure costs are expected to be incurred from the end of the third quarter through the end of 2013. • To ensure the reserve ratio returns to 1.15 percent within eight years and to meet the DIF's liquidity needs, the FDIC has approved a proposal to require all institutions to prepay, on December 31, 2009, their estimated risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011, and 2012. The FDIC estimates that the prepaid assessments will total approximately $45 billion. Although the DIF's liquidity will be significantly enhanced from prepaid assessments inflows, they would not initially affect the fund balance. Upon receipt of these funds on December 30, 2009, the DIF would account for the amount collected as both an asset (cash) and an offsetting liability (deferred revenue). Thereafter, the DIF would recognize revenue for the regular risk-based assessments quarterly as it is earned.

Trends and Outlook	
Financial Results	Comments
II. Investments	• The market value (including accrued interest) of the DIF's cash and U.S. Treasury securities totaled $23.4 billion as of September 30, 2009 ($16.3 billion of primary reserve assets and $7.1 billion in systemic risk-related portfolios). DIF's cash and U.S. Treasury securities are available to fund resolutions as needed. The DIF investment portfolio's primary reserve (market value including accrued interest) decreased by $12.9 billion during the first nine months of 2009, and totaled $16.3 billion on September 30, 2009. The total market value of the other DIF-related investment portfolios – the Debt Guarantee Program, the Transaction Account Guarantee Program, and the Other Systemic Risk Reserves portfolio – increased by $4.7 billion during the first nine months of 2009, and totaled $7.1 billion on September 30, 2009. • The decline in the DIF's primary reserve portfolio was largely the result of funding 95 failed institution resolutions during the first nine months of 2009. However, it should be noted that 56 of these bank and thrift failures were resolved as loss-share transactions (in which the acquirers purchased substantially all of the failed institutions' assets and the FDIC and the acquirers entered into loss-share agreements) requiring little or no initial resolution funding, thus helping to mitigate the decline in the DIF's portfolio value over this period. At quarter-end, the DIF investment portfolio yield was 2.3 percent, down 232 basis points from its December 31, 2008, yield of 4.59 percent. The yield decline stemmed from several factors; in addition to the sale and maturity of generally higher yielding securities during the first three quarters, on September 29, 2009, the DIF portfolio received $8.7 billion in regular and special assessment funds, and consequently the DIF portfolio ended the quarter with a very high overnight investment balance of $8.6 billion earning a low 0.07 percent yield. • Conventional Treasury market yields decreased during the third quarter of 2009, after increasing substantially during the second quarter of 2009. Treasury yields remain relatively low from a historical perspective, largely reflecting the still comparatively weak U.S. economy, the low federal funds target rate, and investors' modest inflationary expectations. During the fourth quarter of 2009, Treasury yields are expected to continue to trade within a range around current levels, and to gradually rise over the next several quarters, allowing that the economic recovery continues to take hold and solidify.

Trends and Outlook	
Financial Results	Comments
III. Budget	• Approximately $891.6 million was spent in the Ongoing Operations component of the 2009 Corporate Operating Budget, which was $10.6 million (1 percent) below the budget for the nine months ending September 30, 2009. Spending in the Outside Services – Personnel expense category was $9.1 million greater than the year-to-date budget, but this amount was more than offset by the net under spending in other expense categories. The Salaries and Compensation expense category was $8.9 million below the year-to-date budget. Nevertheless, a minor shortfall is projected for the full year in this budget component. To address this shortfall, the CFO recommended and the Board approved on October 20, 2009, a $16.0 million increase in budget authority for Ongoing Operations. • Approximately $646.0 million was spent in the Receivership Funding component of the 2009 Corporate Operating Budget, which was $81.5 million (11 percent) below the budget for the nine months ending September 30, 2009. The Salaries and Compensation and Travel expense categories were each $26.5 million below their year-to-date budgets. Together these two variances represented 65 percent of the total Receivership Funding variance. Approximately $337.8 million was spent during the third quarter, which represented a 72 percent increase over spending during the second quarter. If the trend of monthly spending increases continues during the fourth quarter, spending will substantially exceed the current $1 billion budget for this component before year-end.

I. **Corporate Fund Financial Results** (See pages 12 - 13 for detailed data and charts.)

Deposit Insurance Fund (DIF)

- For the nine months ending September 30, 2009, DIF's comprehensive loss totaled $25.5 billion compared with a comprehensive loss of $17.8 billion for the same period last year. This $7.7 billion increase in the year-over-year loss was primarily due to a $17.3 billion increase in the provision for insurance losses and a $3.4 billion decrease in the unrealized gain on available-for-sale securities (AFS) partially offset by a $12.7 billion increase in assessment revenue and a $681.3 million increase in other revenue (largely attributable to the collection of debt issuance surcharges under the TLGP).

- Assessment revenue was $14.7 billion as of September 30, 2009, compared with only $2.0 billion for the comparable nine-month period in 2008. This $12.7 billion increase was due to the collection of a $5.5 billion special assessment on September 30, 2009 and significantly higher regular assessment revenue. With respect to regular assessment activity, DIF earned approximately $5.8 billion for first and second quarter 2009 insurance coverage and recognized a $3.4 billion receivable for third quarter insurance coverage (which will be collected on December 31, 2009). Major factors contributing to this increase in regular assessment revenue year-over-year include changes to the risk-based assessment regulations, ratings downgrades of many institutions (which pushed them into higher assessment rate categories), the decline of the one-time assessment credit made available with the enactment of deposit insurance reform, and a larger assessment base.

- The provision for insurance losses was $39.9 billion for the nine months ending September 30, 2009, compared with $22.7 billion for the same period in 2008. The total provision consists mainly of the loss provisions for future failures (approximately $28.7 billion) and estimated losses on the 95 failures that occurred in first nine months of 2009 (approximately $11.2 billion). The loss provision of $11.2 billion represents the difference between the estimated losses recorded at resolution for the 95 failures and their contingent loss reserve at December 31, 2008.

II. Investments

Investment Results (See pages 14 - 15 for detailed data and charts.)

DIF Investment Portfolio

- The amortized cost (book value) of the DIF investment portfolio decreased by $10.6 billion during the first nine months of 2009, or by 39.9 percent, from $26.6 billion on December 31, 2008, to $16.0 billion on September 30, 2009. Similarly, the DIF portfolio's market value dropped by approximately $12.6 billion, or by 43.8 percent, from $28.8 billion on December 31, 2008, to $16.2 billion on September 30, 2009. Again, the declines were primarily the result of funding failed institution resolutions during the first nine months of 2009.

- The DIF investment portfolio's total return for the first nine months of 2009 was 0.123 percent, approximately 94 basis points higher than its benchmark, the Merrill Lynch 1 - 10 Year U.S. Treasury Index (Index), which had a total return of negative return of 0.814 percent during the same period. The DIF portfolio's Treasury Inflation-Protected Securities (TIPS) considerably outperformed the Index's conventional Treasury securities. In addition, because the DIF conventional Treasury securities have a lower average duration than the securities held in the Index, and given the substantial increase in yields over the course of the year on longer duration securities, the DIF's conventional Treasury securities outperformed those in the Index. Finally, the DIF portfolio's high cash balances helped contribute to the positive relative return.

- During the third quarter of 2008, to help fund resolution-related cash outlays, staff sold a total of 50 AFS conventional Treasury securities on four occasions; the securities had a total book value of $8.3 billion, a total market value of $9.0 billion, a weighted average maturity (WAM) of 3.38 years, a weighted average modified duration of 3.07 years, and a weighted average yield at cost of 4.59 percent. These security sales resulted in a realized gain of $731.7 million. On September 30, 2009, the DIF portfolio's overnight investment balance was $8.6 billion (about 53.1 percent of the portfolio by market value), reflecting the receipt of approximately $8.7 billion in assessments on September 30, 2009.

Other Corporate Investment Portfolios

- During the first nine months of 2009, the book value of the Debt Guarantee Program investment portfolio increased substantially, from $2.4 billion on December 31, 2008, to $7.0

billion on September 30, 2009. The funds in this portfolio are from the guarantee fees related to the Debt Guarantee Program under the Temporary Liquidity Guarantee Program (TLGP). More recently, during the third quarter, the book value of the Debt Guarantee Program investment portfolio decreased from $7.5 billion on June 30, 2009, to $7.0 billion on September 30, 2009. The quarter's decline in funds was due to the fact that the TLGP fees collected during the quarter were less than amount of claims against the TLGP's Transaction Account Guarantee program. Consistent with the approved quarterly investment strategy, all Debt Guarantee Program portfolio funds were invested in overnight investments during the quarter.

- The Other Systemic Risk Reserves investment portfolio was established in 2009 and holds $131.1 million as of September 30, 2009. Included in this amount was the receipt of a $50.4 million payment on July 30, 2009, coincident with the conversion of the former Fixed Rate Cumulative Perpetual Preferred Stock, Series G issued by Citigroup Inc. (Citigroup Stock) to the new trust preferred security issued by Citigroup Capital XXXIII (Citigroup TruPS). As the Citigroup Stock last paid its $60.5 million quarterly dividend on May 15, 2009, the $50.4 million represents 2.5 months of the regular dividend rate. Subsequently, the DIF will receive the full $60.5 million dividend per quarter from the Citigroup TruPS, but with different payment dates: October 30, January 30, April 30, and July 30.

- On September 30, 2009, the FDIC collected about $181.8 million in fees related to the Transaction Account Guarantee Program under the TLGP. However, these funds were then immediately transferred to the Debt Guarantee Program portfolios for reimbursement of claims and expenses, so the recently established Transaction Account Guarantee Program investment portfolio had no balance at month-end.

The Treasury Market

- During the third quarter of 2009, conventional Treasury yields decreased modestly across all sectors of the Treasury yield curve. The three-month Treasury bill (T-Bill) and the six-month T-Bill yields declined by 7 basis points and 17 basis points, respectively. The yield on two-year Treasury note, which also is very sensitive to actual and anticipated changes in the federal funds rate, decreased by 16 basis points during the third quarter, generally reflecting consensus forecasts for no changes in the federal funds target rate over the near term. Intermediate- to longer-maturity Treasury security yields decreased modestly as well; the yield on the five-year Treasury note decreased by 25 basis points, while the yield on the ten-year Treasury note decreased by 22 basis points. Finally, the thirty-year Treasury bond yield decreased by 28 basis points. The conventional Treasury yield curve remained relatively steep during the third quarter. On September 30, 2009, the two-year to ten-year yield curve had a 236-basis point positive spread (a little lower than the 242-basis point spread at the beginning of the quarter). Over the past five years, this spread has averaged 87 basis points.

Prospective Strategies

- The fourth quarter 2009 DIF investment strategy calls for placing all net proceeds from deposit insurance assessments, maturing securities, Temporary Liquidity Guarantee Program surcharges, coupon and other interest payments, and receivership dividends into overnight investments and/or short-term T-Bills in anticipation of using such funds for resolution activities.

- For the TLGP, all funds will be invested into overnight investments in anticipation of possibly using such funds for resolution activities or claims against the TLGP.

- For the Other Systemic Risk Reserves investment portfolio—which by contrast to the DIF portfolio is in investment mode—the fourth quarter 2009 investment strategy calls for strategically investing all available funds in overnight investments, and/or in conventional or callable Treasury securities with effective maturity dates not to exceed December 31, 2012.

III. Budget Results (See pages 16 - 17 for detailed data.)

Approved Budget Modifications

The 2009 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to make certain modifications to the 2009 Corporate Operating Budget. The following budget reallocations were made during the third quarter in accordance with the authority delegated by the Board of Directors (none of these modifications changed the total 2009 Corporate Operating Budget approved by the Board in December 2008):

- In early September 2009, the CFO approved the reallocation of existing budget authority within the Salaries and Compensation expense category of the Ongoing Operations component of the 2009 Corporate Operating Budget to reflect updated salary and benefit expense estimates for nearly all divisions and offices. This reallocation was based upon an analysis of actual spending for salaries, bonuses, and fringe benefits through June 30, 2009, and on-board staffing as of that date. This reallocation was made effective in August 2009.

- In early October 2009, the CFO approved the reallocation of $40,625 in budget authority within the Ongoing Operations component of the 2009 Corporate Operating Budget from the Outside Services – Personnel expense category of the Government Litigation budget to the Division of Supervision and Consumer Protection to provide additional budget authority in the Travel (+$37,500) and Other Expenses (+$3,125 for Professional Learning Accounts (PLA)) categories to support estimated expenses for up to 86 newly-authorized positions. This reallocation was made effective in September 2009.

- In early October 2009, the CFO approved the reallocation of existing budget authority within the Salaries and Compensation expense category of the Ongoing Operations component of the 2009 Corporate Operating Budget to reflect updated salary and benefit expense estimates for several divisions and offices. This reallocation was based upon an analysis of current staffing levels, spending for salaries, bonuses, and fringe benefits through August 31, 2009, and projected staffing levels for the final four months of the year. This reallocation was made effective in September 2009.

- In early October 2009, the CFO approved the reallocation of existing budget authority within the Receivership Funding component of the 2009 Corporate Operating Budget from the Legal Division (-$43,500,000) and the Corporate Unassigned (-$10,146,457) budgets to the budgets of the Division of Resolutions and Receiverships (+$35,021,126), Division of Information Technology (+$11,342,366), Division of Administration (+$6,753,580), Office of the Ombudsman (+$290,000), Corporate University (+$185,885), Office of Diversity and Economic Opportunity (+$37,000), and Office of Enterprise Risk Management (+$16,500).

Budget authority was realigned among all expense categories as follows: Salaries and Compensation (-$37,064,173); Outside Services–Personnel (+$20,404,220); Travel (-$2,656,328); Buildings (+$23,884,738); Equipment (+$13,932,261); Outside Services – Other (-$7,030,378); and Other Expenses (-$11,470,340). This reallocation was the result of the mid-year reassessment of actual and projected spending by all divisions and offices for the Receivership Funding budget component. This reallocation was made effective in September 2009.

Approved Staffing Modifications

The 2009 Budget Resolution delegated to the CFO the authority to modify approved 2009 staffing authorizations for divisions and offices, as long as those modifications did not increase the total approved 2009 Corporate Operating Budget. In accordance with that authority, the CFO approved the following staffing modifications during the third quarter after determining that there were sufficient unspent funds available for reallocation elsewhere within the approved budget to cover the increased 2009 salary and benefits costs associated with any newly-authorized positions:

- In July 2009, the CFO approved an increase of six authorized non-permanent positions in Corporate University (CU) to address increased course administration workload, the need for a team leader for the Instructional Systems Designers working on the Division of Resolutions and Receiverships (DRR) Commission and Corporate Employee Program (CEP) Certificate Programs in Dallas, and additional performance management and oversight workload attributable to the decision to hire more first-year Financial Institution Specialists (FISs) in the CEP.

- In August 2009, the CFO approved a reduction of one authorized position in the Office of Enterprise Risk Management (OERM) based on a determination that the position was no longer essential to OERM operations.

- In August 2009, the CFO approved an increase of one authorized position in DRR to support the Franchise and Asset Marketing area by maintaining resolution files and a database of resolutions, asset valuations, loss sharing, and other asset information for reference and reporting; participating in closings; coordinating the schedule of investor meetings; and compiling and providing investor information.

- In September 2009, the CFO approved an increase of 32 non-permanent positions in the Legal Division. The approved increase included 17 new positions in the Supervision Branch to address increased enforcement and related open bank supervision workload, 3 new positions in the Corporate Operations Branch to address increased employee and contractor ethics and Board support workload, and 12 new positions in the Litigation and Resolutions Branch to address the increasing workload associated with the resolution of failed institutions.

- In September 2009, the CFO approved an increase of up to 86 authorized positions (47 permanent, 39 non-permanent) in the Division of Supervision and Consumer Protection (DSC). This included 41 new supervisory examiner (SE) positions to reduce current supervisory spans of control for SEs; 35 new positions in Washington and Regional Offices to address increased enforcement and failing bank workload; and up to 10 new capital markets experts and large/complex bank specialist positions (the latter were approved contingent upon acceptance of employment offers by specific individuals on pending rosters; if those offers are not accepted, the DSC staffing authorization will be adjusted downward accordingly).

- In September 2009, the CFO approved an increase of six authorized non-permanent positions in the Division of Information Technology. These positions were authorized to address increased client support workload for the Dallas and Chicago Regional Offices and the growth in security workload associated with the rising number of new employees and contractors.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the nine months ending September 30, 2009, are defined as those that either (1) exceed the YTD budget by $1 million and represent more than 2 percent for a major expense category or total division/office budget; or (2) are under the YTD budget for a major expense category or division/office by an amount that exceeds $2 million and represents more than 4 percent of the major expense category or total division/office budget.

Significant Spending Variances by Major Expense Category

Ongoing Operations

There were significant spending variances in four major expense categories through the third quarter in the Ongoing Operations component of the 2009 Corporate Operating Budget:

- Outside Services – Personnel expenditures were $9.1 million, or 7 percent, more than budgeted. Approximately $3.8 million of this variance was attributable to expenses related to document management services provided to DRR in connection with resolution and receivership activities. These costs are properly classified as Receivership Funding expenses.[2] In addition, about $2.4 million was spent on unbudgeted financial advisory services related to the Legacy Loans Program that was being developed to address disruptions in the banking system; expenses for systems maintenance and help desk operations costs exceeded budgeted funds by $3.7 million; and expenses for security services (guard services, background investigations on employees and contractors, and security systems) were greater than anticipated. Partially offsetting these items were expenses for the Deposit Insurance Call Center, open bank litigation, and other smaller miscellaneous contracts that were lower than year-to-date budgeted amounts.

- Buildings expenditures were $4.3 million, or 9 percent, less than budgeted. The variance was due to delays in the relocation and build-outs of the New York Regional Office, the Chicago Regional Office, and the Boston Area Office.

- Outside Services – Other expenditures were $2.9 million, or 17 percent, less than budgeted. The variance was largely due to the unpredictable nature and timing of spending for public services media.

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[2] Appropriate accounting adjustments will be made to both the Ongoing Operations and Receivership Funding budget components to address these coding errors.

- Other Expenses expenditures were $2.6 million, or 25 percent, less than budgeted. The variance was mostly due to significant underutilization of PLA budgets by employees due to an increasing workload.

Receivership Funding

The Receivership Funding component of the 2009 Corporate Operating Budget includes funding for expenses that are incurred in conjunction with institution failures and the management and disposition of the assets and liabilities of the ensuing receiverships, except for salary and benefits expenses for permanent employees assigned to the receivership management function.

There were significant spending variances in six major expense categories through the third quarter in the Receivership Funding component of the 2009 Corporate Operating Budget:

- Salaries & Compensation ($26.5 million, or 32 percent, less than budgeted).

- Travel ($26.5 million, or 61 percent, less than budgeted).

- Buildings ($7.5 million, or 12 percent, more than budgeted).

- Equipment ($6.1 million, or 19 percent, less than budgeted).

- Outside Services – Other ($8.8 million, or 46 percent, less than budgeted).

- Other Expenses ($6.5 million, or 19 percent, less than budgeted).

These variances occurred primarily because bank closings have been less costly to administer than anticipated due to the prevalence of structured and whole bank transactions for the first nine months of 2009 and because budgeted positions have not been filled as quickly as originally projected. These factors led to lower-than-budgeted expenses for salaries and compensation, asset management and liquidation contracts, outside legal counsel, travel, and other expenses. In light of the expected acceleration in the rate of bank failures for the remainder of the year, Receivership Funding expenditures are expected to increase as the number of active receiverships and the cumulative inventory of assets under management grows.

Significant Spending Variances by Division/Office[3]

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

- DRR spent $42.5 million, or 6 percent, less than budgeted, mostly due to less-than-budgeted spending for resolution and receivership workload activities for the reasons identified above. This was slightly offset by unbudgeted contract spending for financial advisory services and greater-than-budgeted expenses for travel in connection with employee relocations.
- The Legal Division spent $15.9 million, or 13 percent, less than budgeted. Approximately $11.7 million of this variance was due to under spending of its Receivership Funding budget because resolution activities have to-date required substantially less outside legal services than anticipated. In addition, the termination of temporary contract support for the Deposit

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

Insurance Call Center and lower-than-anticipated expenses for open bank litigation contributed to the Division's variance in the Ongoing Operations budget component.

- The Division of Administration spent $15.8 million, or 10 percent, less than budgeted. This variance was largely attributable to delays in building out and relocating employees to new offices; temporary delays in purchasing Furniture, Fixtures and Equipment for those build-outs; and lower-than-expected costs for leasehold improvements at the Dallas Regional Office and the temporary West Coast Satellite Office.

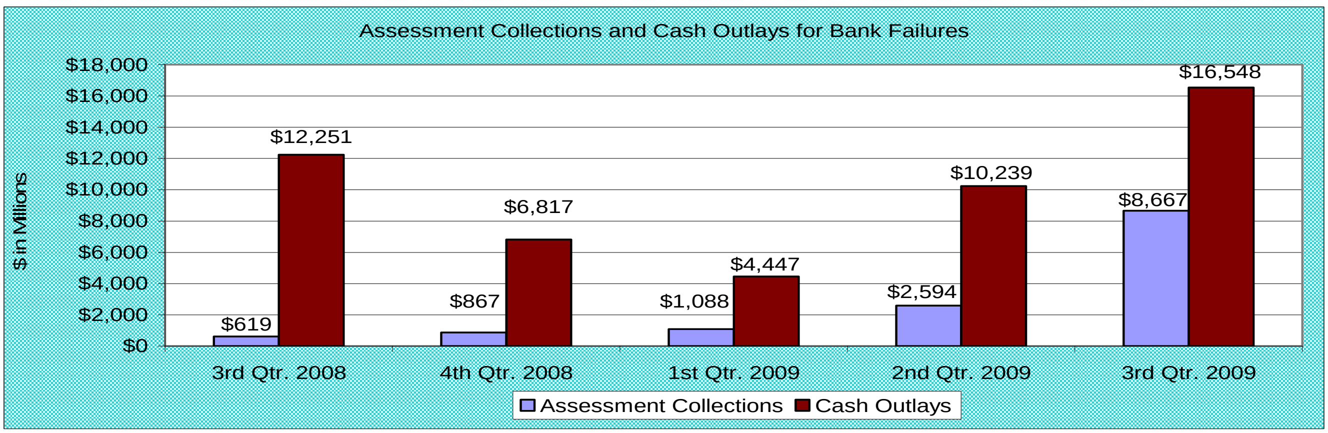
- CU spent $2.2 million, or 7 percent, less than budgeted. This variance included approximately $1.4 million less than budgeted for travel due to lower-than-anticipated travel expenses for Financial Institution Specialists (FISs) in the Corporate Employee Program.

- The Office of Inspector General (OIG) spent $2.2 million, or 11 percent, less than budgeted. This variance was mostly attributable to vacancies in budgeted positions.

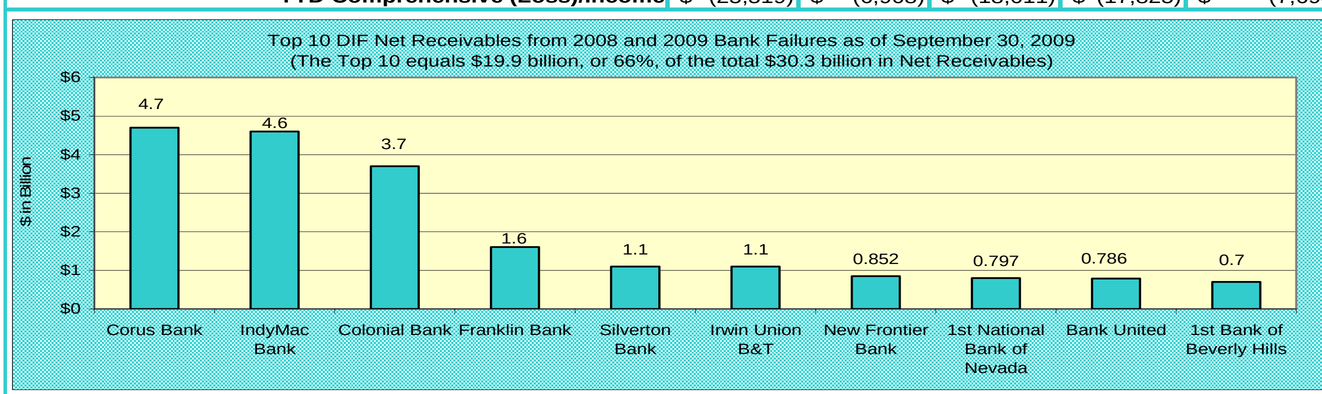
Fund Financial Results

($ in Millions)

Balance Sheet	Deposit Insurance Fund				
	Sep-09	Jun-09	Quarterly Change	Sep-08	Year-Over-Year Change
Cash & cash equivalents - unrestricted	$ 8,546	$ 3,633	$ 4,913	$ 854	$ 7,692
Cash & cash equivalents - restricted - systemic risk	7,141	7,360	(219)	-	7,141
Investment in U.S. Treasury obligations, net	7,590	18,019	(10,429)	32,559	(24,969)
Preferred stock - systemic risk	3,025	3,025	-	-	3,025
Assessments receivable, net	3,353	9,048	(5,695)	890	2,463
Receivable, net - systemic risk	2,085	1,303	782	-	2,085
Interest receivable on investments and other assets, net	159	302	(143)	472	(313)
Receivables from resolutions, net	30,321	21,729	8,592	14,414	15,907
Property, buildings and other capitalized assets, net	376	368	8	364	12
Total Assets	$ 62,596	$ 64,787	$ (2,191)	$ 49,553	$ 13,043
Accounts payable and other liabilities	199	121	78	2,923	(2,724)
Liabilities due to resolutions ($1,064M-TLGP's liability)	20,106	11,091	9,015	-	20,106
Guarantee obligations - systemic risk	10,316	10,032	284	-	10,316
Postretirement benefit liability	114	114	-	116	(2)
Contingent Liabilities: future failures	38,933	31,968	6,965	11,726	27,207
Contingent Liabillties: systemic risk	871	893	(22)	-	871
Contingent Liabilities: litigation losses & other	300	200	100	200	100
Total Liabilities	$ 70,839	$ 54,419	$ 16,420	$ 14,965	$ 55,874
FYI: Unrealized gain on available-for-sale securities, net	192	962	(770)	1,699	(1,507)
FYI: Unrealized postretirement benefit gain	25	25	-	20	5
FUND BALANCE	$ (8,243)	$ 10,368	$ (18,611)	$ 34,588	$ (42,831)



Income Statement	Deposit Insurance Fund				
	Sep-09	Jun-09	Quarterly Change	Sep-08	Year-Over-Year Change
Assessments earned	$ 14,675	$ 11,710	$ 2,965	$ 1,969	$ 12,706
Systemic risk revenue	972	327	645	-	972
Interest earned on investment securities	628	452	176	1,795	(1,167)
Realized gain on sale of securities	1,389	657	732	473	916
Other revenue	699	377	322	18	681
Total Revenue	$ 18,363	$ 13,523	$ 4,840	$ 4,255	$ 14,108
Operating expenses (includes depreciation expense)	892	564	328	743	149
Systemic risk expenses	972	327	645	-	972
Provision for insurance losses	39,946	18,252	21,694	22,676	17,270
Other expenses	14	-	14	1	13
Total Expenses & Losses	$ 41,824	$ 19,143	$ 22,681	$ 23,420	$ 18,404
Net (Loss)/Income	(23,461)	(5,620)	(17,841)	(19,165)	(4,296)
Unrealized gain/(loss) on available-for-sale securities, net	(2,058)	(1,288)	(770)	1,340	(3,398)
Unrealized postretirement benefit gain/(loss)	-	-	-	-	-
YTD Comprehensive (Loss)/Income	$ (25,519)	$ (6,908)	$ (18,611)	$ (17,825)	$ (7,694)



Fund Financial Results - continued

($ in Millions)

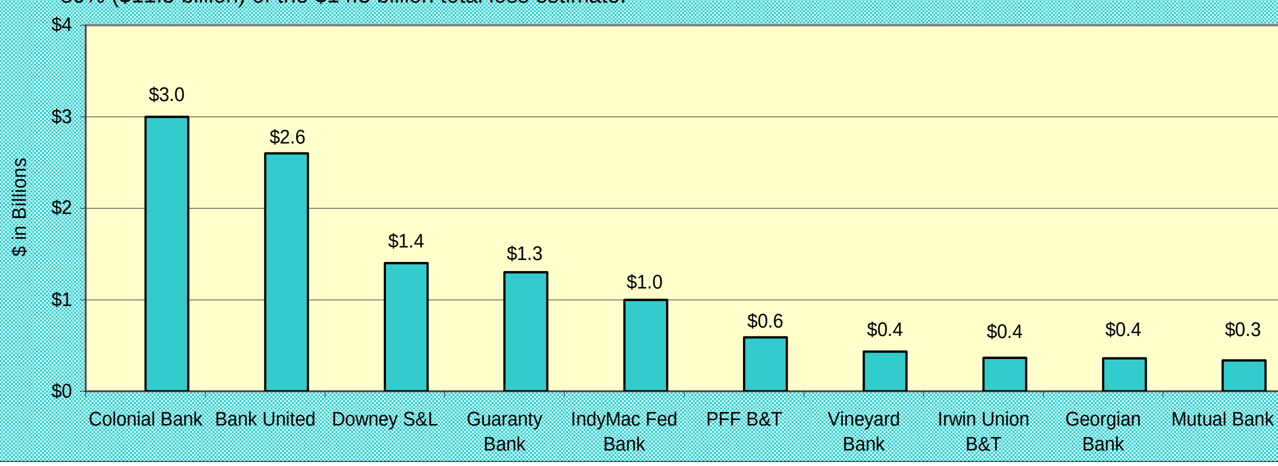
Statements of Cash Flows	Deposit Insurance Fund				
	Sep-09	Jun-09	Quarterly Change	Sep-08	Year-Over-Year Change
Net (Loss)/Income	$ (23,461)	$ (5,620)	$ (17,841)	$ (19,165)	$ (4,296)
Amortization of U.S. Treasury obligations (unrestricted)	191	145	46	370	(179)
TIPS Inflation Adjustment	18	38	(20)	(313)	331
Depreciation on property and equipment	50	33	17	41	9
Provision for insurance losses	39,946	18,252	21,694	22,676	17,270
Unrealized gain on postretirement benefits	-	-	-	-	-
(Gain) on sale of UST obligations	(1,389)	(658)	(731)	(473)	(916)
Systemic risk expenses	-	-	-	-	-
Net change in operating assets and liabilities	(22,444)	(13,610)	(8,834)	(22,308)	(136)
Net Cash Provided by (Used by) Operating Activities	$ (7,089)	$ (1,420)	$ (5,669)	$ (19,172)	$ 12,083
Investments matured and sold	19,391	9,027	10,364	15,784	3,607
Investments purchased (includes purchase of property and equipment)	(3)	(2)	(1)	(3)	-
Net Cash Provided by (Used by) Investing Activities	$ 19,388	$ 9,025	$ 10,363	$ 15,781	$ 3,607
Net Increase (Decrease) in Cash and Cash Equivalents	12,299	7,605	4,694	(3,391)	15,690
Cash and Cash Equivalents at beginning of year	3,388	3,388	-	4,245	(857)
Unrestricted Cash and Cash Equivalents - Ending	8,546	3,633	4,913	-	8,546
Restricted Cash and Cash Equivalents - Ending	7,141	7,360	(219)	-	7,141
Cash and Cash Equivalents - Ending	$ 15,687	$ 10,993	$ 4,694	$ 854	$ 14,833

Selected Financial Data	FSLIC Resolution Fund				
	Sep-09	Jun-09	Quarterly Change	Sep-08	Year-Over-Year Change
Cash and cash equivalents	$ 3,454	$ 3,459	$ (5)	$ 3,459	$ (5)
Accumulated deficit, net	(123,959)	(123,955)	(4)	(123,885)	(74)
Resolution equity	3,483	3,487	(4)	3,470	13
Total revenue	8	7	1	60	(52)
Operating expenses	4	3	1	4	-
Goodwill/Guarini litigation expenses	4	-	4	167	(163)
Net Income/(Loss)	$ (11)	$ (7)	$ (4)	$ (115)	$ 104

Receivership Selected Statistics September 2009 vs. September 2008

	DIF			FRF			ALL FUNDS		
Year-to-Date ($ in millions)	Sep-09	Sep-08	*Change*	Sep-09	Sep-08	*Change*	Sep-09	Sep-08	*Change*
Total Receiverships	134	30	104	8	9	(1)	142	39	103
Assets in Liquidation	$ 38,222	$ 9,481	$ 28,741	$ 34	$ 34	$ -	$ 38,256	$ 9,515	$ 28,741
Collections	$ 6,750	$ 432	$ 6,318	$ 5	$ 7	$ (2)	$ 6,755	$ 439	$ 6,316
Dividends Paid - Cash	$ 4,162	$ 844	$ 3,318	$ -	$ 4	$ (4)	$ 4,162	$ 848	$ 3,314

As of September 30, 2009, 10 out of the 59 receiverships from 2008 and 2009, with Loss Sharing agreements comprise 80% ($11.5 billion) of the $14.3 billion total loss estimate.



Deposit Insurance Fund Portfolio Summary
(Dollar Values in Millions)

	9/30/09	12/31/08	Change
Par Value	$15,945	$25,496	($9,551)
Amortized Cost	$15,983	$26,580	($10,597)
Market Value	$16,175	$28,830	($12,655)
Primary Reserve [1]	$16,297	$29,227	($12,930)
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Year-to-Date Total Return (Portfolio)	0.123%	8.550%	not applicable
Year-to-Date Total Return (Benchmark) [2]	(0.814%)	11.334%	not applicable
Total Return Variance (in basis points)	93.7	(278.4)	not applicable
Yield-to-Maturity [3]	2.27%	4.59%	(2.32%)
Weighted Average Maturity (in years)	0.37	3.34	(2.97)
Effective Duration (in years) [4]			
Total Portfolio	0.32	2.85	(2.53)
Available-for-Sale Securities	0.68	2.94	(2.26)
Held-to-Maturity Securities [5]	not applicable	not applicable	

[1] Primary Reserve is the total market value (including accrued interest) of overnight investments, available-for-sale securities, and held-to-maturity securities maturing within three months.

[2] The benchmark is the total return of the Merrill Lynch 1-10 Year U.S. Treasury Index.

[3] The Yield-to-Maturity includes the potential yield of Treasury Inflation-Protected Securities (TIPS), which assumes an average 1.1% annual increase in the CPI over the remaining life of each TIPS.

[4] For each TIPS, an estimated 80 percent "yield beta" factor is applied to its real yield duration to arrive at an estimated effective duration.

[5] In early August 2008, management reclassified all of the DIF portfolio's HTM securities as AFS securities effective as of June 30, 2008, because the FDIC could no longer assert it had the positive intent and ability to hold its HTM securities until their maturity dates.

Summary of Other Corporate Investment Portfolios
(Dollar Values in Millions)

	9/30/09	12/31/08	Change
Debt Guarantee Program			
Book Value [6]	$7,010	$2,425	$4,585
Yield-to-Maturity	0.07%	0.11%	(0.04%)
Weighted Average Maturity	overnight	overnight	no change
Transaction Account Guarantee Program			
Book Value [6]	$0	$0	$0
Yield-to-Maturity	not applicable	not applicable	not applicable
Weighted Average Maturity	not applicable	not applicable	not applicable
Other Systemic Risk Reserves			
Book Value [6]	$131	$0	$131
Yield-to-Maturity	0.07%	not applicable	not applicable
Weighted Average Maturity	overnight	not applicable	not applicable
FRF-FSLIC			
Book Value [6]	$3,313	$3,325	($12)
Yield-to-Maturity	0.07%	0.11%	(0.04%)
Weighted Average Maturity	overnight	overnight	no change

[6] Due to the current short-term nature of these portfolios, each of their respective Par, Book, and Market Values are identical for reporting purposes.

National Liquidation Fund (NLF) Investment Portfolio Summary
(Dollar Values in Millions)

	9/30/09	12/31/08	Change
Book Value [7]	$6,035	$3,447	$2,588
Yield-to-Maturity	0.21%	1.21%	(1.00%)
Weighted Average Maturity (in days)	18	23	(5)

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

Investment Strategies

DEPOSIT INSURANCE FUND
Strategy as of 3rd Quarter 2009

Invest all proceeds from deposit insurance assessments, Temporary Liquidity Guarantee Program surcharges, maturing securities, coupon and other interest payments, and receivership dividends in overnight investments and/or in short-term Treasury bills in anticipation of using such funds for resolution activities.

Strategy Changes for 4th Quarter 2009

No changes in strategy.

DEBT GUARANTEE PROGRAM
OTHER SYSTEMIC RISK RESERVES
Strategy as of 3rd Quarter 2009

Strategically invest all available funds in overnight investments and/or in conventional or callable Treasury securities with effective maturity dates not to exceed December 31, 2012.

Strategy Changes for 4th Quarter 2009

For the Debt Guarantee Program, in anticipation of potentially using these funds on an as-needed basis to fund DIF resolutions, all funds will be invested in overnight investments and/or short-term Treasury bills. For the Other Systemic Risk Reserves, there are no changes in strategy.

NATIONAL LIQUIDATION FUND
Strategy as of 3rd Quarter 2009

Maintain a target overnight investment balance between $15 million and $25 million.
Strategically invest the remaining funds in the zero- to 12-month maturity sector.

Strategy Changes for 4th Quarter 2009

No changes in strategy.

Executive Summary of 2009 Budget and Expenditures by Major Expense Category Through September 30, 2009 (Dollars in Thousands)				
Major Expense Category	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Ongoing Operations				
Salaries & Compensation	$594,098	$585,162	98%	($8,936)
Outside Services - Personnel	127,733	136,831	107%	9,098
Travel	57,717	58,300	101%	583
Buildings	47,570	43,239	91%	(4,331)
Equipment	48,327	46,781	97%	(1,546)
Outside Services - Other	16,664	13,758	83%	(2,906)
Other Expenses	10,060	7,504	75%	(2,556)
Total Ongoing Operations	**$902,169**	**$891,575**	**99%**	**($10,594)**
Receivership Funding				
Salaries & Compensation	$82,516	$56,038	68%	($26,478)
Outside Services - Personnel	449,656	435,005	97%	(14,651)
Travel	43,297	16,840	39%	(26,457)
Buildings	65,010	72,534	112%	7,524
Equipment	32,755	26,638	81%	(6,117)
Outside Services - Other	19,130	10,323	54%	(8,807)
Other Expenses	35,139	28,609	81%	(6,530)
Total Receivership Funding	**$727,503**	**$645,987**	**89%**	**($81,516)**
Total Corporate Operating Budget	**$1,629,672**	**$1,537,562**	**94%**	**($92,110)**
Investment Budget [1]	**$3,983**	**$4,122**	**103%**	**$139**
Grand Total	**$1,633,655**	**$1,541,684**	**94%**	**($91,971)**

1) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2009 spending estimates for approved projects.

Executive Summary of 2009 Budget and Expenditures by Budget Component and Division/Office Through September 30, 2009 (Dollars in Thousands)				
Division/Office B	YTD udget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Supervision & Consumer Protection	$370,122	$359,976	97%	($10,146)
Information Technology	188,522	188,574	100%	52
Administration	162,783	147,032	90%	(15,751)
Resolutions & Receiverships	656,908	614,494	94%	(42,414)
Legal	117,948	102,069	87%	(15,879)
Insurance & Research	26,780	25,952	97%	(828)
Finance	23,371	21,833	93%	(1,538)
Inspector General	20,367	18,201	89%	(2,166)
Corporate University	33,012	30,840	93%	(2,172)
Executive Support [1]	19,626	18,210	93%	(1,416)
Executive Offices [2]	6,753	6,901	102%	148
Government Litigation	3,480	3,480	100%	0
Total Corporate Operating Budget	**$1,629,672**	**$1,537,562**	**94%**	**($92,110)**
Investment Budget [3]				
Information Technology	$3,419	$3,651	107%	$232
Resolutions & Receiverships	199	113	57%	(86)
Insurance & Research	365	358	98%	(7)
Total Investment Budget [3]	**$3,983**	**$4,122**	**103%**	**$139**
Combined Division/Office Budgets				
Supervision & Consumer Protection	$370,122	$359,976	97%	($10,146)
Information Technology	191,941	192,225	100%	284
Administration	162,783	147,032	90%	(15,751)
Resolutions & Receiverships	657,107	614,607	94%	(42,500)
Legal	117,948	102,069	87%	(15,879)
Insurance & Research	27,145	26,310	97%	(835)
Finance	23,371	21,833	93%	(1,538)
Inspector General	20,367	18,201	89%	(2,166)
Corporate University	33,012	30,840	93%	(2,172)
Executive Support [1]	19,626	18,210	93%	(1,416)
Executive Offices [2]	6,753	6,901	102%	148
Government Litigation	3,480	3,480	100%	0
Grand Total	**$1,633,655**	**$1,541,684**	**94%**	**($91,971)**

1) Executive Support includes the Offices of Diversity and Economic Opportunity, Public Affairs, Ombudsman, Legislative Affairs, Enterprise Risk Management, and International Affairs.

2) Executive Offices include the offices of the Chairman, Vice Chairman, Independent Director, Deputy to the Chairman and Chief Operating Officer, Deputy to the Chairman and Chief Financial Officer, and Deputy to the Chairman for External Affairs.

3) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2009 spending estimates for approved projects.