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

August 9, 2011

MEMORANDUM TO: The Board of Directors

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

Craig Jarvill
Acting Director, Division of Finance

SUBJECT: Second Quarter 2011 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the quarter ended June 30, 2011.

Executive Summary

- For the second quarter of 2011, the Deposit Insurance Fund (DIF) balance increased by $4.9 billion, from negative $1.0 billion to a positive $3.9 billion. This quarterly increase was primarily due to $3.2 billion in assessment revenues and a $2.1 billion decrease in the provision for insurance losses, offset by $463 million in operating expenses. The second quarter of 2011 was the first quarter since June 30, 2009 that the DIF ended with a positive fund balance.

- During the second quarter of 2011, the FDIC was named receiver for 22 failed institutions. The combined assets at inception for these institutions totaled approximately $9.6 billion with a total estimated loss of $2.0 billion. The corporate cash outlay during the second quarter for these failures was approximately $1.3 billion.

- Through June 30, 2011, overall Corporate Operating Budget expenditures were below budget by 22 percent ($405.7 million). This variance was primarily the result of lower-than-budgeted resolutions activity during the first half of the year.

I. **Corporate Fund Financial Results** (See pages 8 - 9 for detailed data and charts.)

Deposit Insurance Fund (DIF)

- For the six months ended June 30, 2011, the DIF's comprehensive income totaled $11.3 billion compared to comprehensive income of $5.6 billion for the same period last year. This $5.7 billion year-over-year increase was mostly due to the decrease in the provision for insurance losses.

- The provision for insurance losses was negative $5.2 billion for the first half of 2011. The negative provision primarily resulted from a $2.7 billion reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail; a $1.7 billion reduction in the estimated losses for banks that have failed where recent liquidation activity yielded recoveries higher than previously estimated; and a $0.7 billion adjustment for lower-than-anticipated loss estimates at time of failure for banks that failed in 2010.

- During the second quarter of 2011, the DIF recognized $3.2 billion in estimated assessment revenue for second quarter 2011 insurance coverage. Of this amount, $3.0 billion was recognized for those institutions that prepaid assessments and $205 million was recorded as a receivable from those institutions that did not prepay assessments.

- On June 30, 2011, the FDIC collected $191 million in DIF assessments for first quarter 2011 insurance coverage from those institutions that had not prepaid their assessments.

- The assessment base computed by the FDIC used deposit data reported by each insured institution through the March 31, 2011 report date. Beginning April 1, 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) requires that the base on which deposit insurance assessments are charged be revised from domestic deposits to assets. The assessment collection date of September 30, 2011, will utilize an assessment base of average consolidated total assets minus average tangible equity (defined as Tier 1 Capital).

II. **Investment Results** (See pages 10 - 11 for detailed data and charts.)

DIF Investment Portfolio

- The total liquidity (total market value including accrued interest) of all DIF-related investment portfolios stood at $45.0 billion on June 30, 2011, down from $46.2 billion on December 31, 2010, led by the decline in the DIF investment portfolio as discussed below.

- The DIF investment portfolio's total market value decreased by $1.9 billion during the first half of 2011, and totaled $37.7 billion on June 30, 2011. The decrease was primarily the result of having to fund 48 bank failures during the first half of 2011. However, it should be noted that 35 of these failures were resolved as cash-conserving shared-loss transactions, requiring substantially lower initial resolution payments, thus helping to mitigate the decline in the DIF portfolio's balance. Moreover, during the first half of 2011, the DIF received $5.6 billion in dividends and other payments from its receiverships, thus mitigating the DIF portfolio's decline.

- On June 30, 2011, the DIF investment portfolio's yield was 0.32 percent, down eight basis points from its December 31, 2010, yield of 0.40 percent. A primary factor in that decline was that in January a substantial portion of higher yielding Treasury Inflation-Protected Securities (TIPS) matured, resulting in a drop in the portfolio's overall yield. The DIF investment portfolio's total return for the year-to-date period was about 26 basis points, about 200 basis points less than the 2.27 percent total return of its benchmark, the Merrill Lynch 1 – 10 Year Treasury Index (Index). Given that most longer-maturity Treasury yields decreased (that is, Treasury security prices rose) during the first half of the year, the DIF portfolio's large balances of comparatively low yielding overnight investments and short-term Treasury bills and notes could not keep pace with the rise in Treasury prices, hence the underperformance compared to the Index (on average, the Index has longer-duration conventional Treasury securities).

- In accordance with the approved second quarter 2011 investment strategy, staff purchased a total of eight short-maturity Treasury securities on two occasions during the second quarter of 2011. The securities had a total par value of $7.2 billion, a weighted average yield-to-maturity of 0.22 percent, and a weighted average maturity (WAM) of 0.77 years.

Other Corporate Investment Portfolios

- On June 30, 2011, the Debt Guarantee Program (DGP) investment portfolio stood at about $7.4 billion (total market value), up from its December 31, 2010, balance of $6.6 billion. This increase was principally due to the net transfer of about $650 million from the DIF portfolio to the DGP portfolio (year-to-date), reversing payments made by the DGP to the DIF for Transaction Account Guarantee Program claims. At quarter end, the DGP portfolio had a yield to maturity of 0.21 percent and a WAM of 0.42 years. In accordance with the approved second quarter 2011 investment strategy for the DGP portfolio, staff purchased four short-maturity Treasury securities during the second quarter of 2011. The securities had a total par value of $1.2 billion, a weighted average yield-to-maturity of 0.23 percent, and a WAM of 0.83 years.

III. Budget Results (See pages 12 - 13 for detailed data.)

Approved Budget Modifications

The 2011 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to reallocate funds within the 2011 Corporate Operating Budget, provided that such reallocations do not increase the total amount approved for either the Ongoing Operations or Receivership Funding budget components. The following budget reallocations were approved during the second quarter in accordance with the authority delegated by the Board of Directors. None of these modifications changed the total 2011 Corporate Operating Budget as approved by the Board in December 2010 (and amended by the Board in January 2011):

- In May 2011, the CFO approved modifications to the Salaries and Compensation budget authority of divisions and offices within the Ongoing Operations budget component based on an analysis of spending for salaries, bonuses, and fringe benefits during the first quarter. That reallocation adjusted budget authority for most divisions and offices while increasing the Corporate Unassigned budget by $4,297,545.

- In May 2011, the CFO approved the reallocation of $1,089,261 within the Ongoing Operations budget component from the Risk Management Supervision (RMS) and Corporate Unassigned budgets (-$651,411 and -$437,850, respectively) to the Depositor and Consumer Protection (DCP) budget to support the transfer of six positions from RMS to DCP and an increase of four new authorized positions in DCP (these staffing changes are explained in more detail below).

- In May 2011, in anticipation of the FDIC assuming regulatory responsibility for state-chartered thrift institutions under the provisions of the DFA, the CFO approved the reallocation of $2,459,123 in budget authority within the Ongoing Operations budget component from the Corporate Unassigned budget to the budgets of RMS and DCP. This adjustment increased budget authority for the Salaries and Compensation (+$2,175,477), Travel (+$272,301), and Other Expenses (+$11,345) expense categories in those budgets to provide funding for expenses projected to be incurred by Office of Thrift Supervision (OTS) employees following their transfer to the FDIC.

- In May 2011, the CFO approved the reallocation of $141,000 within the Ongoing Operations budget component from the Corporate Unassigned budget to the Salaries and Compensation budget of the Office of Minority and Women Inclusion (OMWI) to provide funding for expenses associated with seven newly-authorized positions in OMWI.

Following these budget reallocations, the amounts remaining available within the Corporate Unassigned budgets for the Ongoing Operations and the Receivership Funding budget components were $17,401,532 and $16,350,002, respectively.

Approved Staffing Modifications

The 2011 Budget Resolution delegated to the CFO the authority to modify approved 2011 staffing authorizations for divisions and offices, as long as those modifications did not increase the total approved 2011 Corporate Operating Budget. The following changes were approved by the CFO in accordance with the authority delegated to him by the Board of Directors:

- In May 2011, the CFO approved the transfer of six positions from RMS to DCP and the establishment of four newly-authorized positions in DCP. When the Board approved the establishment of DCP in August 2010, it delegated to the CFO the responsibility for determining staffing requirements for certain administrative management functions in DCP and determining whether these staffing requirements should be met by the transfer of positions from RMS or the establishment of new positions in DCP. After consultation with RMS and DCP, the CFO approved the transfer to DCP of two positions from RMS's Internal Control Section and four positions from RMS's Applied Technology Section; and the establishment of four newly-authorized positions in DCP (two each in the Administrative Operations Branch and the Operations and Technology Systems Section).

- In May 2011, the CFO approved an increase of 24 authorized positions in RMS and six authorized positions in DCP in anticipation of the FDIC assuming regulatory responsibility for state chartered thrift institutions under DFA. Most of the new positions are examiner positions to be filled by transferees from the OTS. The number of new examiner positions was determined using the Examiner Staffing Model.

- In May 2011, the CFO approved an increase of seven authorized positions in OMWI. These positions will be used to develop standards for equal employment opportunity for the Corporation's workforce, increase the participation of minority- and women-owned businesses in the Corporation's programs and contracts, and develop a new program to assess the diversity policies and practices of entities regulated by the FDIC, in accordance with the requirements of DFA.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the six months ended June 30, 2011, are defined as those that either (1) exceed the YTD budget by $2 million and represent more than three percent of 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 $3 million and represents more than five 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 two of the seven major expense categories during the second quarter in the Ongoing Operations component of the 2011 Corporate Operating Budget:

- Outside Services – Personnel expenditures were $16.1 million, or 14 percent, less than budgeted. The Office of Complex Financial Institutions (CFI) spent $8.0 million less than budgeted, largely due to the office's initial focus on filling its authorized FDIC positions, which caused delays in defining contract support requirements. The Division of Resolutions and Receiverships (DRR) spent $4.9 million less than budgeted due to lower than anticipated expenses for business process improvements, financial advisory services for a recovery and resolution project, and an internal review project. In addition, the Office of Inspector General (OIG) spent $4.4 million less than budgeted for material loss reviews (MLRs) due to an increase included in DFA in the threshold at which MLRs are required.

- Outside Services – Other expenditures were approximately $3.3 million, or 29 percent, less than budgeted. The Office of Public Affairs (OPA) spent $2.0 million less than budgeted, largely due to delays in its public education campaign on overdraft programs.

Receivership Funding

The Receivership Funding component of the 2011 Corporate Operating Budget includes funding for expenses incurred in conjunction with institution failures and the management and disposition of the assets and liabilities of the ensuing receiverships, except for salaries and benefits and related expenses for permanent employees assigned to the receivership management function.

There were significant spending variances in six of the seven major expense categories during the second quarter in the Receivership Funding component of the 2011 Corporate Operating Budget:

- Outside Services-Personnel ($232.8 million, or 35 percent, less than budgeted).
- Travel ($7.5 million, or 31 percent, less than budgeted).
- Buildings ($71.5 million, or 58 percent, less than budgeted).
- Equipment ($4.5 million, or 45 percent, less than budgeted).
- Outside Services-Other ($4.0 million, or 32 percent, less than budgeted).
- Other Expenses ($58.0 million, or 63 percent, less than budgeted).

All of these variances were attributable to the fact that there were fewer insured institution failures during the first six months of the year than budgeted in the Receivership Funding budget.

Significant Spending Variances by Division/Office[1]

Six organizations had significant spending variances through the end of the second quarter:

- DRR spent $374.8 million, or 38 percent, less than budgeted, mostly due to less-than-budgeted spending for resolution and receivership activities, as explained above.
- DIT spent $9.3 million, or 7 percent, less than budgeted. The majority of the variance ($6.0 million) occurred in DIT's Receivership Funding budget and was primarily due to lower-than-budgeted resolutions activity. The variance in DIT's Ongoing Operations budget was largely attributable to delays in planned major software maintenance purchases.
- OIG spent $7.3 million, or 33 percent, less than budgeted. This variance included approximately $4.4 million in under spending for Outside Services – Personnel due to the MLR threshold change included in DFA, which significantly reduced the number of MLRs that OIG is required to conduct.
- CFI spent $7.2 million, or 46 percent, less than budgeted. This variance was attributable to lower-than-budgeted spending for contract services, as explained above.
- The CIO Council spent $5.8 million, or 22 percent, more than budgeted. This variance reflected expenses for unbudgeted projects to support implementation of the new orderly liquidation authority given to the FDIC under DFA and several other unfunded projects. The overspending occurred after the CFO agreed to allocate additional funds to the CIO Council during the mid-year budget review.

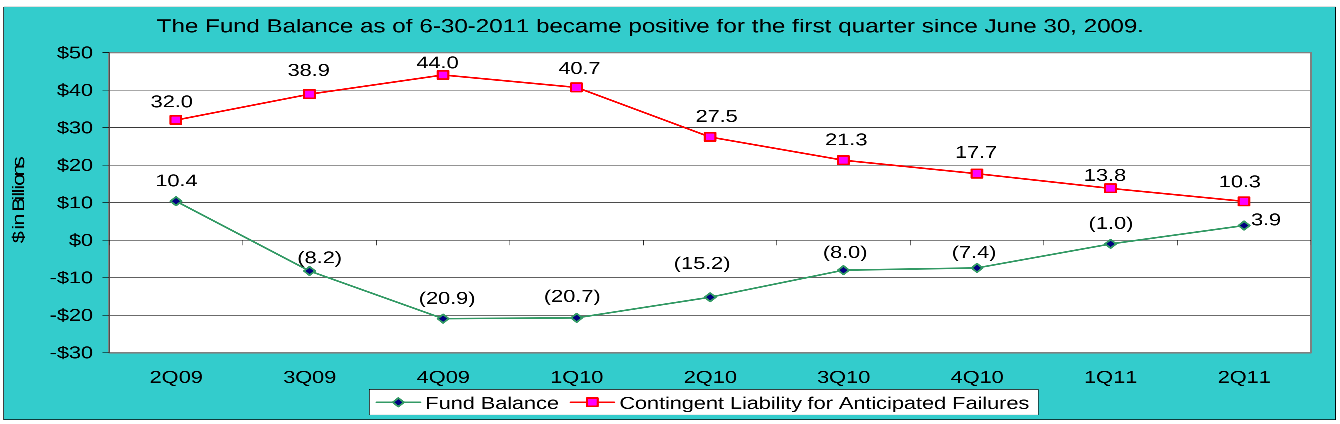
[1] Information on division/office variances reflects variances in both the Corporate Operating and Investment Budgets.

- The Executive Support Offices spent approximately $3.2 million, or 19 percent, less than budgeted. This variance was largely due to delays in a public education campaign on overdraft programs by OPA.

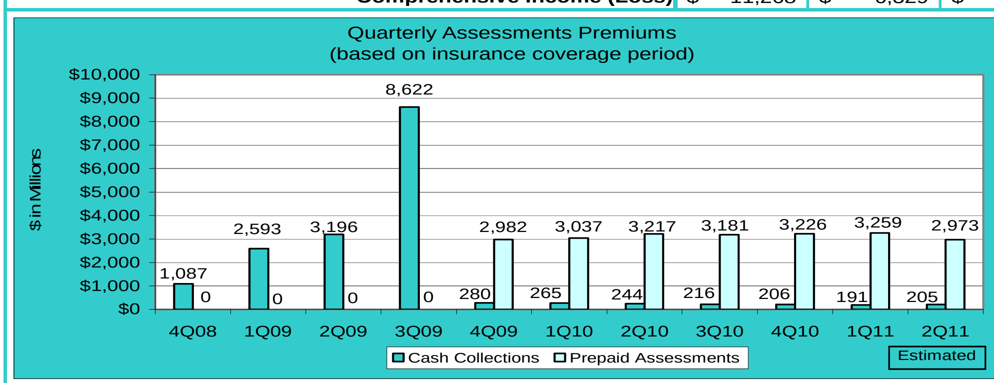
Fund Financial Results

($ in Millions)

Balance Sheet	Deposit Insurance Fund Unaudited Jun-11	Unaudited Mar-11	Quarterly Change	Unaudited Jun-10	Year-Over-Year Change
Cash and cash equivalents	$ 16,631	$ 23,496	$ (6,865)	$ 18,824	$ (2,193)
Cash and investments - restricted - systemic risk	7,363	6,996	367	5,786	1,577
Investment in U.S. Treasury obligations, net	20,820	14,894	5,926	19,264	1,556
Trust preferred securities	2,346	2,345	1	2,130	216
Assessments receivable, net	205	206	(1)	313	(108)
Receivables and other assets - systemic risk	1,901	2,243	(342)	3,486	(1,585)
Interest receivable on investments and other assets, net	279	264	15	165	114
Receivables from resolutions, net	29,126	29,748	(622)	50,451	(21,325)
Property and equipment, net	405	407	(2)	391	14
Total Assets	$ 79,076	$ 80,599	$ (1,523)	$ 100,810	$ (21,734)
Accounts payable and other liabilities	382	480	(98)	327	55
Unearned revenue - prepaid assessments	23,787	26,766	(2,979)	36,785	(12,998)
Liabilities due to resolutions	30,912	30,883	29	41,863	(10,951)
Deferred revenue - systemic risk	9,131	9,088	43	8,321	810
Postretirement benefit liability	166	166	-	145	21
Contingent liability for anticipated failures	10,349	13,788	(3,439)	27,534	(17,185)
Contingent liabillty for systemic risk	133	151	(18)	782	(649)
Contingent liability for litigation losses	300	300	-	300	-
Total Liabilities	$ 75,160	$ 81,622	$ (6,462)	$ 116,057	$ (40,897)
FYI: Unrealized gain (loss) on U.S. Treasury investments, net	62	37	25	62	-
FYI: Unrealized gain (loss) on trust preferred securities	385	383	2	168	217
FYI: Unrealized postretirement benefit gain (loss)	(19)	(19)	-	(3)	(16)
Fund Balance	$ 3,916	$ (1,023)	$ 4,939	$ (15,247)	$ 19,163



Income Statement (year-to-date)	Deposit Insurance Fund Unaudited Jun-11	Unaudited Mar-11	Quarterly Change	Unaudited Jun-10	Year-Over-Year Change
Assessments earned	$ 6,647	$ 3,484	$ 3,163	$ 6,520	$ 127
Systemic risk revenue	(25)	5	(30)	(138)	113
Interest on U.S. Treasury obligations	65	28	37	126	(61)
Other revenue	147	66	81	80	67
Total Revenue	$ 6,834	$ 3,583	$ 3,251	$ 6,588	$ 246
Operating expenses	858	395	463	727	131
Systemic risk expenses	(25)	5	(30)	(138)	113
Provision for insurance losses	(5,184)	(3,089)	(2,095)	469	(5,653)
Insurance and other expenses	1	-	1	3	(2)
Total Expenses and Losses	$ (4,350)	$ (2,689)	$ (1,661)	$ 1,061	$ (5,411)
Net Income (Loss)	11,184	6,272	$ 4,912	5,527	5,657
Unrealized gain (loss) on U.S. Treasury investments, net	35	10	25	(80)	115
Unrealized gain (loss) on trust preferred securities	49	47	2	168	(119)
Unrealized postretirement benefit gain (loss)	-	-	-	-	-
Comprehensive Income (Loss)	$ 11,268	$ 6,329	$ 4,939	$ 5,615	$ 5,653



- Cash collections in 2010 and 2011 are from institutions that did not prepay assessments at year-end 2009.
- Third quarter 2009 assessment collections include a $5.5 billion special assessment.
- DIF collected $45.7 billion in prepaid assessments on 12/30/09, which was recorded as a liability and is recognized as quarterly revenue as it is earned.

Fund Financial Results - continued

($ in Millions)

Statement of Cash Flows (year-to-date) — **Deposit Insurance Fund**

	Unaudited Jun-11	Unaudited Mar-11	Quarterly Change	Unaudited Jun-10	Year-Over-Year Change
Net Income (Loss)	$ 11,184	$ 6,272	$ 4,912	$ 5,527	$ 5,657
Amortization of U.S. Treasury obligations	70	14	56	(17)	87
Treasury inflation-protected securities inflation adjustment	(18)	(5)	(13)	(13)	(5)
Depreciation on property and equipment	37	18	19	34	3
Loss on retirement of property and equipment	-	-	-	-	-
Provision for insurance losses	(5,184)	(3,089)	(2,095)	469	(5,653)
Unrealized (loss) gain on postretirement benefits	-	-	-	-	-
Change in Operating Assets and Liabilities	(7,331)	(3,919)	(3,412)	(26,054)	18,723
Net Cash Provided by (Used by) Operating Activities	$ (1,242)	$ (709)	$ (533)	$ (20,054)	$ 18,812
Maturity of U.S. Treasury obligations	7,976	6,276	1,700	2,643	5,333
Purchase of property and equipment	(25)	(8)	(17)	-	(25)
Purchase of U.S. Treasury obligations	(18,103)	(9,416)	(8,687)	(18,482)	3,669
Net Cash Provided by (Used by) Investing Activities	$ (10,152)	$ (3,148)	$ (7,004)	$ (15,839)	$ 5,687
Net Increase (Decrease) in Cash and Cash Equivalents	(11,394)	(3,857)	(7,537)	(35,913)	24,519
Cash and Cash Equivalents - Beginning	32,107	32,107	-	60,523	(28,416)
Unrestricted Cash and Cash Equivalents - Ending	16,631	23,496	(6,865)	18,824	(2,193)
Restricted Cash and Cash Equivalents - Ending	4,081	4,754	(673)	5,786	(1,705)
Cash and Cash Equivalents - Ending	$ 20,713	$ 28,250	$ (7,537)	$ 24,610	$ (3,897)

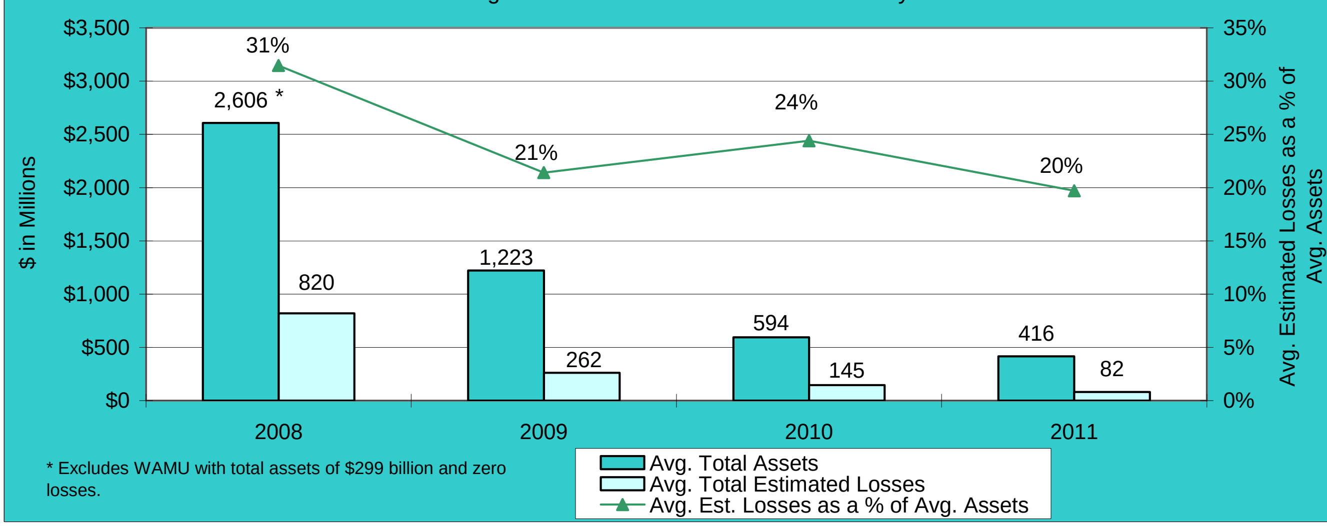
Selected Financial Data — **FSLIC Resolution Fund**

	Unaudited Jun-11	Unaudited Mar-11	Quarterly Change	Unaudited Jun-10	Year-Over-Year Change
Cash and cash equivalents	$ 3,525	$ 3,548	$ (23)	$ 3,497	$ 28
Accumulated deficit	(124,278)	(124,224)	(54)	(124,284)	6
Total resolution equity	3,548	3,568	(20)	3,570	(22)
Total revenue	3	2		9	(6)
Operating expenses	2	2		2	-
Goodwill litigation expenses	33	-		-	33
Recovery of tax benefits	26	-		(58)	84
Net Income (Loss)	$ (54)	$ -		$ 65	$ (119)

Receivership Selected Statistics June 2011 vs. June 2010

	DIF			FRF			ALL FUNDS		
	Jun-11	Jun-10	*Change*	Jun-11	Jun-10	*Change*	Jun-11	Jun-10	*Change*
Total Receiverships	384	265	119	8	8	-	392	273	119
Assets in Liquidation	$ 24,001	$ 39,469	$(15,468)	$ 25	$ 28	$ (3)	$ 24,026	$ 39,497	$(15,471)
YTD Collections	$ 65,686	$ 10,809	$ 54,877	$ 1	$ 12	$ (11)	$ 65,687	$ 10,821	$ 54,866
YTD Dividend/Other Pymts - Cash	$ 5,554	$ 4,217	$ 1,337	$ -	$ -	$ -	$ 5,554	$ 4,217	$ 1,337

Bank Failures Average Total Assets and Estimated Losses by Year of Failure



* Excludes WAMU with total assets of $299 billion and zero losses.

Deposit Insurance Fund Portfolio Summary
(Dollar Values in Millions)

	6/30/11	12/31/10	Change
Par Value	$37,161	$39,430	($2,269)
Amortized Cost	$37,486	$39,483	($1,997)
Total Market Value (including accrued interest)	$37,653	$39,550	($1,897)
Primary Reserve[1]	$37,653	$39,550	($1,897)
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Year-to-Date Total Return (Portfolio)	0.263%	0.196%	not applicable
Year-to-Date Total Return (Benchmark) [2]	2.265%	5.219%	not applicable
Total Return Variance (in basis points)	(200.2)	(502.3)	not applicable
Yield-to-Maturity [3]	0.32%	0.40%	0.08%
Weighted Average Maturity (in years)	0.49	0.16	0.33
Effective Duration (in years) [4]			
Total Portfolio	0.45	0.15	0.30
Available-for-Sale Securities	0.81	0.46	0.35
Held-to-Maturity Securities [5]	not applicable	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 presently assumes an average 1.8% 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)

	6/30/11	12/31/10	Change
Debt Guarantee Program			
Par Value	$7,281	$6,630	$651
Book Value	$7,343	$6,646	$697
Total Market Value (including accrued interest)	$7,363	$6,647	$716
Yield-to-Maturity	0.21%	0.10%	0.11%
Weighted Average Maturity	0.42	0.14	0.28
FRF-FSLIC			
Book Value [6]	$3,397	$3,397	$0
Yield-to-Maturity	0.05%	0.05%	0.00%
Weighted Average Maturity	overnight	overnight	no change

[6] Due to the current short-term nature of this portfolio, its respective Par, Book, and Market Values are identical for reporting purposes.

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

	6/30/11	12/31/10	Change
Book Value [7]	$15,685	$17,506	($1,821)
Effective Annual Yield	0.09%	0.13%	0.04%
Weighted Average Maturity (in days)	12	6	6

[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 Changes for 2nd Quarter 2011** Purchase up to $20 billion (par value) of available-for-sale (AFS) securities with maturity dates between September 30, 2011, and March 31, 2014, subject to the following additional restrictions: no more than $15 billion (par value) of such securities shall have maturity dates beyond March 31, 2012; and no more than $10 billion (par value) of such securities shall have maturity dates beyond March 31, 2013. **Strategy Changes for 3rd Quarter 2011** Purchase up to <u>$15 billion</u> (par value) of available-for-sale (AFS) securities with maturity dates between <u>December 31, 2011, and June 30, 2014,</u> subject to the following additional restrictions: no more than <u>$10 billion</u> (par value) of such securities shall have maturity dates beyond <u>June 30, 2012</u>; and no more than <u>$5 billion</u> (par value) of such securities shall have maturity dates beyond <u>June 30, 2013; and no more than $5 billion of such securities shall consist of Treasury Inflation-Protected Securities.</u>
Debt Guarantee Program	**Strategy as of 2nd Quarter 2011** Purchase up to $3 billion (par value) of AFS securities with maturity dates between September 30, 2011, and March 31, 2014. **Strategy Changes for 3rd Quarter 2011** Purchase up to <u>$2 billion</u> (par value) of AFS securities with maturity dates between <u>December 31, 2011, and June 30, 2014.</u>
National Liquidation Fund	**Strategy as of 2nd Quarter 2011** Maintain an overnight deposit target floor balance within a range of $100 million to $300 million. Strategically invest the remaining funds in the zero- to 12-month maturity sector. **Strategy Changes for 3rd Quarter 2011** No strategy changes for the third quarter of 2011.

Executive Summary of 2011 Budget and Expenditures by Major Expense Category Through June 30, 2011 (Dollars in Thousands)				
Major Expense Category	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Ongoing Operations				
Salaries & Compensation	$507,538	$508,708	100%	$1,170
Outside Services - Personnel	116,891	100,832	86%	(16,059)
Travel	46,982	47,883	102%	901
Buildings	36,814	36,106	98%	(708)
Equipment	42,673	40,902	96%	(1,771)
Outside Services - Other	11,689	8,341	71%	(3,348)
Other Expenses	8,083	6,001	74%	(2,082)
Total Ongoing Operations	**$770,669**	**$748,773**	**97%**	**($21,896)**
Receivership Funding				
Salaries & Compensation	$157,610	$152,140	97%	($5,470)
Outside Services - Personnel	665,155	432,361	65%	(232,794)
Travel	24,380	16,906	69%	(7,474)
Buildings	123,440	51,892	42%	(71,548)
Equipment	9,878	5,384	55%	(4,494)
Outside Services - Other	12,796	8,757	68%	(4,039)
Other Expenses	91,674	33,672	37%	(58,002)
Total Receivership Funding	**$1,084,934**	**$701,112**	**65%**	**($383,822)**
Total Corporate Operating Budget	**$1,855,603**	**$1,449,885**	**78%**	**($405,718)**
Investment Budget [1]	**$3,390**	**$2,938**	**87%**	**($453)**
Grand Total	**$1,858,993**	**$1,452,823**	**78%**	**($406,171)**

1) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2011 spending estimates for approved projects. The YTD expenditures includes a credit of reimbursed costs from a prior period\s.

Executive Summary of 2011 Budget and Expenditures by Budget Component and Division/Office Through June 30, 2011 (Dollars in Thousands)				
Division/Office	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Risk Management Supervision	$247,207	$250,745	101%	$3,538
Depositor & Consumer Protection	68,540	69,662	102%	1,122
Information Technology	123,293	114,441	93%	(8,851)
Administration	134,947	127,980	95%	(6,967)
Resolutions & Receiverships	986,843	612,054	62%	(374,789)
Legal	152,392	147,015	96%	(5,377)
Insurance & Research	19,071	18,174	95%	(897)
Finance	18,778	16,655	89%	(2,123)
Inspector General	22,277	14,988	67%	(7,289)
Corporate University - CEP	10,076	10,150	101%	74
Corporate University - Corporate	9,347	10,056	108%	740
Executive Support [1]	16,965	13,757	81%	(3,208)
Executive Offices [2]	3,333	3,055	92%	(278)
Complex Financial Institutions	15,696	8,513	54%	(7,183)
CIO Council	26,838	32,640	122%	5,771
Total, Corporate Operating Budget	**$1,855,603**	**$1,449,885**	**78%**	**($405,718)**
Investment Budget [3]				
Information Technology	$3,390	$2,938	87%	($453)
Total, Investment Budget [3]	**$3,390**	**$2,938**	**87%**	**($453)**
Combined Division/Office Budgets				
Risk Management Supervision	$247,207	$250,745	101%	$3,538
Depositor & Consumer Protection	68,540	69,662	102%	1,122
Information Technology	126,683	117,379	93%	(9,304)
Administration	134,947	127,980	95%	(6,967)
Resolutions & Receiverships	986,843	612,054	62%	(374,789)
Legal	152,392	147,015	96%	(5,377)
Insurance & Research	19,071	18,174	95%	(897)
Finance	18,778	16,655	89%	(2,123)
Inspector General	22,277	14,988	67%	(7,289)
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Executive Support [1]	16,965	13,757	81%	(3,208)
Executive Offices [2]	3,333	3,055	92%	(278)
Complex Financial Institutions	15,696	8,513	54%	(7,183)
CIO Council	26,838	32,640	122%	5,771
Grand Total	**$1,858,993**	**$1,452,823**	**78%**	**($406,171)**

1) Executive Support includes the Offices of Minority and Women Inclusion, 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 2011 spending estimates for approved projects.