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

August 21, 2008

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: Second Quarter 2008 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the period ending June 30, 2008.

Executive Summary

- The Deposit Insurance Fund (DIF) balance decreased by 14 percent ($7.626 billion) to $45.217 billion during the second quarter of 2008. The second quarter 2008 decrease was primarily due to the $10.0 billion increase in the contingent liability for anticipated failures, the majority of this amount pertained to the projected loss for IndyMac Bank.

- All of the DIF investment portfolio's held-to-maturity (HTM) securities were reclassified as available-for-sale (AFS) securities effective as of June 30, 2008, as it was determined that in light of significant actual and potential resolution-related outlays, the FDIC could no longer assert that it had the positive intent and ability to hold its HTM securities until their maturity dates, as required by generally accepted accounting principles. The reclassification resulted in an increase in unrealized gains on AFS securities of $1.630 billion.

- On May 9, 2008, ANB Financial, National Association, Bentonville, Arkansas, was closed by the Office of the Comptroller of the Currency and the FDIC was named receiver. Of the $2.011 billion in total assets at inception, Pulaski Bank and Trust Company, Little Rock, Arkansas, purchased $229 million, while the FDIC retained $1.782 billion in assets, comprised primarily of commercial real estate loans. DIF recorded a $1.546 billion net receivable from the ANB Financial receivership, representing an estimated $1.760 billion in subrogated claims, less an allowance for loss of $214 million.

- On May 30, 2008, the Office of the Comptroller of the Currency closed First Integrity Bank, National Association, Staples, Minnesota, and named the FDIC as receiver. First International Bank and Trust, Watford City, North Dakota, assumed all of the $49.7 million in deposits of the failed institution and purchased $34.9 million of the $51.8 million in assets. DIF recorded a $47.4 million net receivable from the First Integrity Bank receivership, representing $49.7 million in subrogated claims, less an allowance for loss of $2.3 million.

- For the six months ending June 30, 2008, expenditures related to the Corporate Operating and Investment Budgets ran below budget 5 percent and 2 percent, respectively. The variance with respect to the Corporate Operating Budget expenditures was primarily the result of lower spending for contractual services in both the Ongoing Operations and Receivership Funding components of the budget through the second quarter. Detailed quarterly reports are provided separately to the Board by the Capital Investment Review Committee (CIRC).

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	• The DIF decreased by 14% ($7.626 billion) to $45.217 billion during the second quarter. The primary reason for the decrease was a $10.0 billion increase in the contingent liability for anticipated failures. This increase was partially offset by an increase in the unrealized gains of $1.559 billion, an increase in assessment revenue of $640 million, and an increase in the interest earned on investment securities of $651 million. Note that subsequent to June 30, the FDIC experienced three bank failures during the month of July – IndyMac Bank, First National Bank of Nevada, and First Heritage Bank with total assets of $32.0 billion, $3.9 billion, and $161 million, respectively. In July, the DIF disbursed $14.5 billion to fund these failures - $11.5 billion to pay insured depositors and $3 billion to fund the operations of the IndyMac Federal Bank conservatorship. The initial loss estimate for these failures are: $8.9 billion for IndyMac Bank, $820 million for First National Bank of Nevada, and $42 million for First Heritage Bank.
II. Investments	• DIF investment portfolio's amortized cost (book value) decreased by $41 million or 0.08 percent during the first half of 2008, and totaled $50.428 billion on June 30, 2008. At quarter end, the DIF portfolio's yield was 4.44 percent, down approximately 28 basis points from its December 31, 2007, yield of 4.72 percent. A large factor behind this decline was securities totaling just over $5 billion, with a high weighted average yield of 5.48 percent, matured during the first half of the year. During that period, staff deferred purchases of conventional Treasury securities in light of expected and potential resolution funding needs as well as depressed Treasury yields. All available funds were invested in overnight investments. At quarter end, overnight investments totaled $9.255 billion, or about 17.4 percent of the total portfolio as measured by market value. During the first half of the year, overnight investments averaged about 2.38 percent on a bond equivalent yield basis. However, on June 30, 2008, overnight investments had a bond equivalent yield of 1.74 percent. Thus, the DIF portfolio's lower average yield at quarter end reflects a large amount of previously high yielding Treasury securities now being invested in lower yielding overnight investments.

Trends and Outlook	
Financial Results	Comments
	• Conventional Treasury market yields increased dramatically during the second quarter of 2008, with the two-year Treasury note posting the most significant increase. The yield increases appeared to reflect a number of factors, including concerns over potentially accelerating inflationary pressures and rising inflation expectations, an unwinding of so-called flight-to-quality trades as the recent financial market turmoil appeared to have mitigated, and a strong consensus opinion that the Federal Reserve is at or near the end of its easing cycle. During the third quarter of 2008, Treasuries are expected to be volatile as market participants gauge whether financial market turmoil is subsiding, inflation is a concern, and the Federal Reserve might begin raising interest rates, prompting Treasury prices to fall; or the market turmoil is not subsiding and has the potential to get worse, prompting further flight-to-quality Treasury price rallies. • At the end of the second quarter of 2008, the DIF portfolio's AFS securities (including all securities that were previously classified as HTM) had unrealized gains of $2.045 billion. Market consensus expectations are for Treasury yields to gradually rise over the last half of 2008 and into 2009, which would likely reduce these unrealized gains. However, regardless of changes in yields, existing net unrealized gains will be reduced due to the passage of time (that is, any unrealized gains or losses vanish as AFS securities approach their maturity dates).
III. Budget	• Approximately $492 million was spent in the Ongoing Operations component of the 2008 Corporate Operating Budget, which was $25 million (5 percent) below the budget for the six months ending June 30, 2008. The Outside Services - Personnel expense category was approximately $16 million below its year-to-date budget, and the Salaries and Compensation category was $7 million below its year-to-date budget. Together, these two categories represented 94 percent of the total Ongoing Operations variance. • Approximately $27.6 million was spent in the Receivership Funding component of the 2008 Corporate Operating Budget, which was $2.8 million (9 percent) below the budget for the six months ending June 30, 2008. Spending during the second quarter was significantly greater than in the first quarter as activities and equipment purchases were accelerated in preparation for expected increases in receivership and resolution activity. • Authorized staffing increases since the beginning of the year directly relate to the increased receivership and resolution activity and elevated examination workload. Most of the authorized staffing increase is for hiring non-permanent staff. This trend is likely to continue into the 2nd half of 2008.

I. <u>Corporate Fund Financial Statement Results</u> (See pages 9 – 10 for detailed data and charts.)

Deposit Insurance Fund (DIF)

- For the six months ending June 30, 2008, DIF reported a comprehensive loss of $7.196 billion compared with comprehensive income of $1.062 billion for the same period last year. This $8.258 billion year-over-year decrease was primarily due to a $10.822 billion increase in the provision for insurance losses, partially offset by a $1.767 billion increase in the unrealized gain on available-for-sale investments and an $854 million increase in assessment revenue.

- The provision for insurance losses was $10.746 billion at June 30, 2008, compared with a negative $76 million for the comparable period in 2007. Approximately 82% of this change, ($8.9 billion of the $10.822 billion) resulted from the contingent loss reserve estimate recorded in the second quarter for IndyMac Bank.

- The unrealized gain on AFS securities was $1.686 billion as of June 30, 2008, compared with an unrealized loss of $81 million at June 30, 2007. The major reason for this increase was a $1.630 billion cumulative adjustment made in June 2008 to mark all previously designated HTM securities to market. Management determined that the FDIC could no longer assert that it had the positive intent and ability to hold these securities to maturity as they might be sold in response to a liquidity need. All DIF investments are now shown on the financial statements at fair market value.

- Assessment revenue was $1.088 billion as of June 30, 2008, compared with $234 million for the same period last year. The continuing increase in assessment revenue reflects the declining balance of one-time assessment credits available. DIF collected $455 million in assessments for first quarter 2008 insurance coverage which was $13 million higher than the estimate recorded at the end of the first quarter 2008. DIF also recorded a $627 million receivable for estimated net assessments due from insured institutions for second quarter 2008 insurance coverage.

FSLIC Resolution Fund (FRF)

- FRF's net income was $14 million for the second quarter of 2008 compared to a $55 million loss incurred during the first quarter. The additional income resulted primarily from an increase of $16 million in interest on U.S. Treasury obligations and a recovery of $10 million in tax benefits, offset by a $14 million increase in the provision for losses.

II. <u>DIF Investment Results</u> (See pages 11 – 12 for detailed data and charts.)

- The amortized cost (book value) of the DIF investment portfolio decreased by $41 million or by 0.08 percent—from $50.469 billion on December 31, 2007, to $50.428 billion on June 30, 2008. The DIF portfolio's market value increased by $95 million or by 0.18 percent, from $52.378 billion on December 31, 2007, to $52.473 billion on June 30, 2008.

- The DIF investment portfolio's total return for the first half of 2008 was 2.659 percent, approximately 30 basis points more than its benchmark, the Merrill Lynch 1 - 10 Year U.S. Treasury Index (Index), which had a total return of 2.362 percent during the same period. Despite the DIF portfolio's large cash balance, which acted as a drag on total return performance, the DIF portfolio's Treasury Inflation-Protected Securities (TIPS) had significantly higher returns than the Index's conventional Treasury securities, hence the overall portfolio outperformance.

- During the second quarter of 2008, consistent with the approved quarterly DIF portfolio investment strategy, staff deferred purchases of Treasury securities in light of expected and potential resolution funding requirements and the comparatively low Treasury yields. On June 30, 2008, the DIF portfolio's overnight investment balance was $9.255 billion, well above its $150 million target floor balance.

The Treasury Market

- During the second quarter of 2008, conventional Treasury yields increased dramatically, with the two-year Treasury note posting the most significant increase. The yield increases appeared to reflect a number of factors, including concerns over potentially accelerating inflationary pressures and rising inflation expectations, an unwinding of so-called flight-to-quality trades as the recent financial market turmoil appeared to have mitigated, and a strong consensus opinion that the Federal Reserve is at or near the end of its easing cycle. During the second quarter of 2008, yields on three-month and six-month T-Bills increased by 41 basis points and 67 basis points, respectively. The two-year note yield, which is also sensitive to actual as well as anticipated changes in the federal funds rate, increased significantly by 104 basis points, again, indicating that the Federal Reserve may be at or near the end of its easing cycle. Intermediate-maturity Treasury yields also increased over the course of the quarter. The yield on the five-year Treasury note increased by 89 basis points; the yield on the ten-year Treasury note increased by 56 basis points. The conventional Treasury yield curve flattened during the second quarter of 2008; on June 30, 2008, the two-year to ten-year yield curve had a 135-basis point positive spread (compared to positive 183-basis point spread at the beginning of the quarter). Over the past five years, this spread has averaged 92 basis points.

- During the second quarter of 2008, Treasury Inflation-Protected Securities' (TIPS) real yields increased, although generally to a lesser extent than comparable maturity conventional Treasury securities because of rising inflation expectations. For example, the real yield on the five-year TIPS maturing on July 15, 2013, increased by 33 basis points. The real yield on the 10-year TIPS maturing on January 15, 2017, increased by 34 basis points.

Prospective Strategies

- The current DIF investment strategy calls for placing all net proceeds from deposit insurance assessments, maturing securities, coupon and other interest payments, and receivership dividends into overnight investments in anticipation of possibly needing the funds for resolution activities. (See attached Approved Investment Strategy.)

III. <u>Budget Results</u> (See pages 13 – 14 for detailed data.)

Approved Budget and Staffing Modifications

Two modifications were made to the 2008 Corporate Operating Budget and/or authorized staffing, in accordance with the authority delegated by the Board of Directors in the 2008 Budget Resolution:

Corporate Operating Budget

- In April 2008, the Deputy to the Chairman and Chief Financial Officer (CFO) approved the reallocation of budget authority within the Ongoing Operations component of the Corporate Operating Budget to provide the Division of Resolutions and Receiverships (DRR) with an additional $4,523,308 in Salaries and Compensation for increases in permanent staff to be hired in 2008. As reported last quarter, DRR's 2008 staffing authorization was increased by 39 permanent positions, and DRR was given the authority to hire an additional 11 employees in excess of its 2008 staffing authorization on a temporary basis in anticipation of projected retirements through 2011 ("temporary overhires"). Funds of $5,455,408 were also reallocated from the Outside Services – Personnel expense category to the Salaries and Compensation expense category in the Receivership Funding component of DRR's 2008 budget, in conjunction with an increase in DRR's 2008 staffing authorization to hire an additional 69 non-permanent employees. In addition, the CFO approved an increase of $665,850 for the Office of Public Affairs (OPA) to provide initial funding for the 75th Anniversary Deposit Insurance Public Education Campaign. Additional funding is expected to be made available for this campaign later in the year. In order to fund these new requirements, budget authority was reallocated from the unused first quarter budgets for regular salaries and benefits in the Division of Supervision and Consumer Protection and the Legal Division in the amounts of $3,736,315 and $1,452,843, respectively.

- In May 2008, the CFO approved the realignment of budget authority among divisions and major expense categories in the Receivership Funding component of the Corporate Operating Budget. The budget adjustment provided funding for the Division of Information Technology in the amount of $8,030,309 for equipment purchases and contractor support in preparation for an expected increase in receivership and resolution activities. The existing Receivership Funding budget for the Division of Administration increased by $2,469,691 to support additional facilities needs associated with that same increased level of activity. These increases were completely offset by a $5,250,000 reduction in the Receivership Funding budgets for Outside Services – Personnel of both the Legal Division and the Division of Receiverships and Resolutions.

Investment Budget

The 2008 Investment Budget spending projections for the 4C project and the Claims Administration System were increased by $1,509,926 and $10,048,475, respectively, following the Board's approval to increase the investment budgets for those projects in June.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the six months ending June 30, 2008, are defined as those that either (1) exceed the YTD budget by $2 million and represents more than 3 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 $3 million and represents more than 5 percent of the major expense category or total division/office budget.

Significant Spending Variances by Major Expense Category

Ongoing Operations

There were three major expense categories that incurred a significant spending variance through the second quarter in the Ongoing Operations component of the 2008 Corporate Operating Budget:

- Outside Services – Personnel expenditures were approximately $16 million, or 19 percent, less than budgeted. The variance was largely due to delays in planned information technology (IT) projects and lower-than-anticipated spending for IT maintenance and operations. In addition, delays in spending for consumer and community affairs education and outreach programs contributed to the variance.

- Equipment expenditures were approximately $3 million, or 14 percent, less than budgeted. The variance was largely due to a change in the timing of planned spending for the IT Technical Refresh program. The budget for this program was initially spread evenly throughout the year, but the acquisition plan for the hardware and software purchases was subsequently revised to shift those purchases to the second half of the year. Also contributing to the variance was a temporary delay in purchasing of furniture, fixtures, and equipment in both headquarters and the field.

- Outside Services – Other expenditures were approximately $2 million, or 30 percent, more than budgeted. The variance was due to spending for the FDIC's 75th Anniversary Public Education Campaign that exceeded its current budget. As noted above, the CFO plans to reallocate additional funds to this initiative later in the year.

Receivership Funding

The Receivership Funding component of the 2008 Corporate Operating Budget includes funding for non-personnel expenses that are incurred in conjunction with institution failures and the management and disposition of the assets and liabilities of the ensuing receiverships. Receivership Funding also includes all salary and compensation costs of employees hired on a non-permanent basis for actual or anticipated increases in receivership and resolution activity.

There were two major expense categories in which a significant spending variance occurred through the second quarter in the Receivership Funding component of the 2008 Corporate Operating Budget:

- Outside Services – Personnel expenditures were approximately $3 million, or 17 percent, less than budgeted, primarily due to the limited receivership and resolution activity that actually occurred through the second quarter. With the increased resolution activity in the third quarter, expenditures are expected to significantly increase in this category.

- Equipment expenditures were $4 million, or 258 percent, greater than budgeted, due to the expedited purchasing of IT equipment in preparation for an anticipated increase in receivership and resolution activity later in the year. Budget was made available for this purpose through reallocation of existing budget authority. These funds were budgeted for later months during the year, resulting in a temporary budget variance.

Significant Spending Variances by Division/Office[1]

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

- Overall, the Division of Information Technology (DIT) spent approximately $8 million, or 7 percent, less than budgeted. This was comprised of $4.5 million in excess year-to-date spending in DIT's Receivership Funding component, which was more than offset by $12.2 million less spending than budgeted in the Ongoing Operations component of its budget and $0.3 million under spending for IT Investment projects.

  Excess spending in the Receivership Funding area was necessary to procure equipment necessary for an anticipated increase in resolution activity. Under spending in Ongoing Operations included $8.4 million in outside services personnel, which primarily resulted from delays in development projects due to client refocus on core mission responsibilities. In addition, $2.5 million of equipment purchases are being deferred until later in the year.

- The Division of Administration (DOA) spent approximately $7 million, or 8 percent, less than budgeted. The variance of $3.7 million in Ongoing Operations was attributable to lower net costs for the Student Residence Center (because of increased proceeds derived from outside use of the facility) and lower-than-budgeted spending for contractual services. The $3.1 million variance in the Receivership Funding component of DOA's operating budget reflected the addition of nearly $2.5 million during the second quarter for facilities and equipment related to an expected increase in receivership and resolution activity (DOA projects that these funds will be fully expensed by the end of the year).

- DRR spent approximately $3.6 million, or 8 percent, less than budgeted. The vast majority of this variance, $3.2 million, relates to the Receivership Funding component of DRR's operating budget and is due to the limited resolution activity that actually occurred through the second quarter. Of the three institutions that failed in the first half of the year, only one, ANB Financial, had assets greater than $1 billion at the time of failure. The combined assets of the three failures totaled $2.2 billion. While spending increases have been growing in the Receivership Funding component through the second quarter, more significant costs are expected in the third and fourth quarters as new bank failures occur and resolution activities increase–three institutions failed in July with assets totaling over $36 billion.

- The Division of Insurance and Research spent approximately $3 million, or 17 percent, less than budgeted. The majority of this variance was due to vacant budgeted positions and lower-than-budgeted spending for the Central Data Repository.

- The Executive Support Offices spent approximately $2 million, or 25 percent, more than budgeted. This variance was due to spending for the FDIC's 75th Anniversary Public Education Campaign that exceeded OPA's current budget.

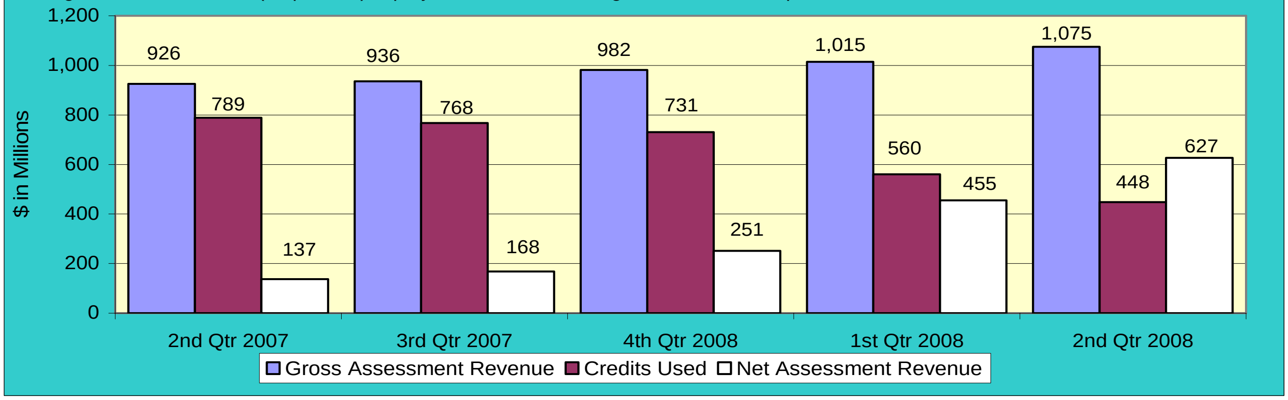
[1] Information on division/office variances reflects variances in both the Corporate Operating and Investment Budgets.

Fund Financial Results

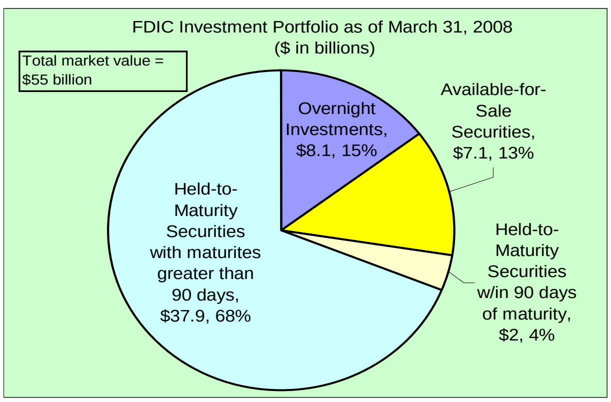
($ in Millions) - Unaudited

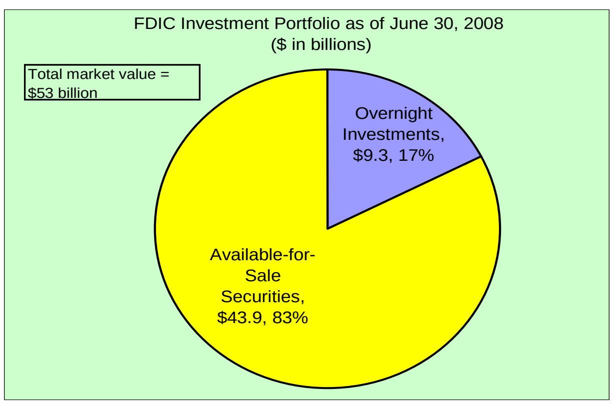
Balance Sheet	Deposit Insurance Fund				
	Jun-08	Mar-08	Quarterly Change	Jun-07	Year-Over-Year Change
Cash & cash equivalents	$ 9,257	$ 8,080	$ 1,177	$ 983	$ 8,274
Investment in U.S. Treasury obligations, net	43,218	43,626	(408)	49,116	(5,898)
Assessments receivable, net	627	442	185	139	488
Interest receivable on investments and other assets, net	695	623	72	805	(110)
Receivables from resolutions, net	2,179	751	1,428	307	1,872
Property, buildings and other capitalized assets, net	355	347	8	360	(5)
Total Assets	$ 56,331	$ 53,869	$ 2,462	$ 51,710	$ 4,621
Accounts payable and other liabilities	208	127	81	122	86
Postretirement benefit liability	116	116	0	130	(14)
Contingent Liabilities: future failures	10,590	583	10,007	31	10,559
Contingent Liabilities: litigation losses & other	200	200	0	200	0
Total Liabilities	$ 11,114	$ 1,026	$ 10,088	$ 483	$ 10,631
FYI: Unrealized gain on available-for-sale securities, net	2,045	486	1,559	153	1,892
FYI: Unrealized postretirement benefit gain	19	19	0	2	17
FUND BALANCE	$ 45,217	$ 52,843	$ (7,626)	$ 51,227	$ (6,010)

From the 2nd Quarter 2007 assessment period to the 2nd Quarter 2008 period, assessment credits used declined by 43 percent resulting in an increase in quarterly net assessment revenue of 358 percent. Of the $4.7 billion in one-time assessment credits granted, $584 million (12 percent) is projected to be remaining after the second quarter 2008 assessment collections.



Income Statement	Deposit Insurance Fund				
	Jun-08	Mar-08	Quarterly Change	Jun-07	Year-Over-Year Change
Assessments earned	$ 1,088	$ 448	$ 640	$ 234	$ 854
Interest earned on investment securities	1,269	618	651	1,315	(46)
Other revenue	2	1	1	6	(4)
Total Revenue	$ 2,359	$ 1,067	$ 1,292	$ 1,555	$ 804
Operating expenses (includes depreciation expense)	494	238	256	487	7
Provision for insurance losses	10,746	525	10,221	(76)	10,822
Other expenses	1	1	0	1	0
Total Expenses & Losses	$ 11,241	$ 764	$ 10,477	$ 412	$ 10,829
Net (Loss)/Income	$ (8,882)	$ 303	$ (9,185)	$ 1,143	$ (10,025)
Unrealized gain/(loss) on available-for-sale securities, net	1,686	127	1,559	(81)	1,767
Unrealized postretirement benefit gain/(loss)	0	0	0	0	0
YTD Comprehensive (Loss)/Income	$ (7,196)	$ 430	$ (7,626)	$ 1,062	$ (8,258)





Fund Financial Results - continued

($ in Millions) - Unaudited

Statements of Cash Flows — Deposit Insurance Fund

	Jun-08	Mar-08	Quarterly Change	Jun-07	Year-Over-Year Change
Net Income	$ (8,882)	$ 303	$ (9,185)	$ 1,143	$ (10,025)
Amortization of U.S. Treasury obligations (unrestricted)	257	129	128	280	(23)
TIPS Inflation Adjustment	(210)	(80)	(130)	(213)	3
Depreciation on property and equipment	27	13	14	26	1
Provision for insurance losses	10,746	525	10,221	(76)	10,822
Unrealized gain on postretirement benefits	0	0	0	0	0
Net change in operating assets and liabilities	(1,934)	(94)	(1,840)	(9)	(1,925)
Net Cash Provided by Operating Activities	$ 4	$ 796	$ (792)	$ 1,151	$ (1,147)
Investments matured and sold	5,009	3,039	1,970	4,565	444
Investments purchased (includes purchase of property and equipment)	(1)	0	(1)	(7,687)	7,686
Net Cash Provided by/(Used by) Investing Activities	$ 5,008	$ 3,039	$ 1,969	$ (3,122)	$ 8,130
Net Increase (Decrease) in Cash and Cash Equivalents	5,012	3,835	1,177	(1,971)	6,983
Cash and Cash Equivalents at beginning of year	4,245	4,245	0	2,954	1,291
Cash and Cash Equivalents - Ending	$ 9,257	$ 8,080	$ 1,177	$ 983	$ 8,274

Selected Financial Data — FSLIC Resolution Fund

	Jun-08	Mar-08	Quarterly Change	Jun-07	Year-Over-Year Change
Cash and cash equivalents	$ 3,444	$ 3,415	$ 29	$ 3,716	$ (272)
Accumulated deficit, net	(123,811)	(123,825)	14	(123,875)	64
Resolution equity	3,458	3,444	14	3,751	(293)
Total revenue	$ 43	$ 23	$ 20	$ 106	$ (63)
Operating expenses	2	1	1	2	0
Goodwill/Guarini litigation expenses	77	77	0	167	(90)
Net (loss)/Income	$ (41)	$ (55)	$ 14	$ (41)	$ 0

Receivership Selected Statistics June 2008 vs. June 2007

	DIF			FRF			ALL FUNDS		
Year-to-Date ($ in millions)	Jun-08	Jun-07	*Change*	Jun-08	Jun-07	*Change*	Jun-08	Jun-07	*Change*
Total Receiverships	22	24	(2)	9	15	(6)	31	39	(8)
Assets in Liquidation	$ 2,343	$ 321	2,022	$ 34	$ 32	2	$ 2,377	$ 353	2,024
Collections	$ 221	$ 47	174	$ 4	$ 33	(29)	$ 225	$ 80	145
Dividends Paid	$ 232	$ 252	(20)	$ 4	$ 1	3	$ 236	$ 253	(17)

Top Ten Bank & Thrift Failures from 1934 - 2008 by Asset Size

($ in Billions)

Institution Name	Location	Date of Assistance/ Failure	Receiver	Total Assets	Estimated*/ Actual Loss
Continental Illinois N. B. & T	Chicago, IL	5/17/1984	FDIC	$40.0	$1.1
First RepublicBank Corp. (41 affiliates)	Dallas, TX	7/29/1988	FDIC	$32.5	$4.0
IndyMac Bank FSB*	Pasadena, CA	7/11/2008	FDIC	$32.0	$8.9
American Savings & Loan Assoc.	Stockton, CA	9/7/1988	FSLIC	$30.2	$5.4
Bank of New England Corp (3 affiliates)	Boston, MA	1/6/1991	FDIC	$21.7	$0.724
MCorp (20 affiliates)	Dallas, TX	3/29/1989	FDIC	$15.6	$2.8
Gilbraltar Savings (2 affiliates)	Simi Valley, CA	3/31/1989	FSLIC	$15.1	$0.095
First City Bancorporation (60 affiliates)	Houston, TX	4/20/1988	FDIC	$13.0	$1.1
Homefed Bank, FA	San Diego, CA	7/6/1992	RTC	$12.2	$0.752
Southeast Bank, NA	Miami, FL	9/19/1991	FDIC	$11.0	$0.0

Source: Historical Statistics on Banking, Managing the Crisis, and Failed Bank Cost Analysis Database.

Deposit Insurance Fund Portfolio Summary
(in millions)

	6/30/08	12/31/07	Change
Par Value	$47,778	$47,562	$216
Amortized Cost (Book Value)	$50,428	$50,469	($41)
Market Value	$52,473	$52,378	$95
Primary Reserve [1]	$53,150	$14,317	$38,833
Primary Reserve % of Total Portfolio	100%	26.9%	73.1%
Year-to-Date Total Return (Portfolio)	2.659%	8.629%	not applicable
Year-to-Date Total Return (Benchmark) [2]	2.362%	8.861%	not applicable
Total Return Variance (in basis points)	29.7	(23.2)	not applicable
Yield-to-Maturity [3]	4.44%	4.72%	(0.28%)
Weighted Average Maturity (in years)	3.63	4.06	(0.43)
Effective Duration (in years) [4]			
Total Portfolio	2.86	3.19	(0.33)
Available-for-Sale Securities	3.47	1.29	2.18
Held-to-Maturity Securities	-----	3.94	not applicable

[1] The Primary Reserve is the total market value (including accrued interest) of overnight investments, available-for-sale (AFS) securitites and held-to-maturity (HTM) securities maturing within three months. NOTE: All of the DIF portfolio's HTM securities were reclassified as AFS securities effective as of June 30, 2008, because it was determined that in light of significant actual and potential resolution-related outlays, the FDIC could no longer assert that it had the positive intent and ability to hold its HTM securities until maturity dates.

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

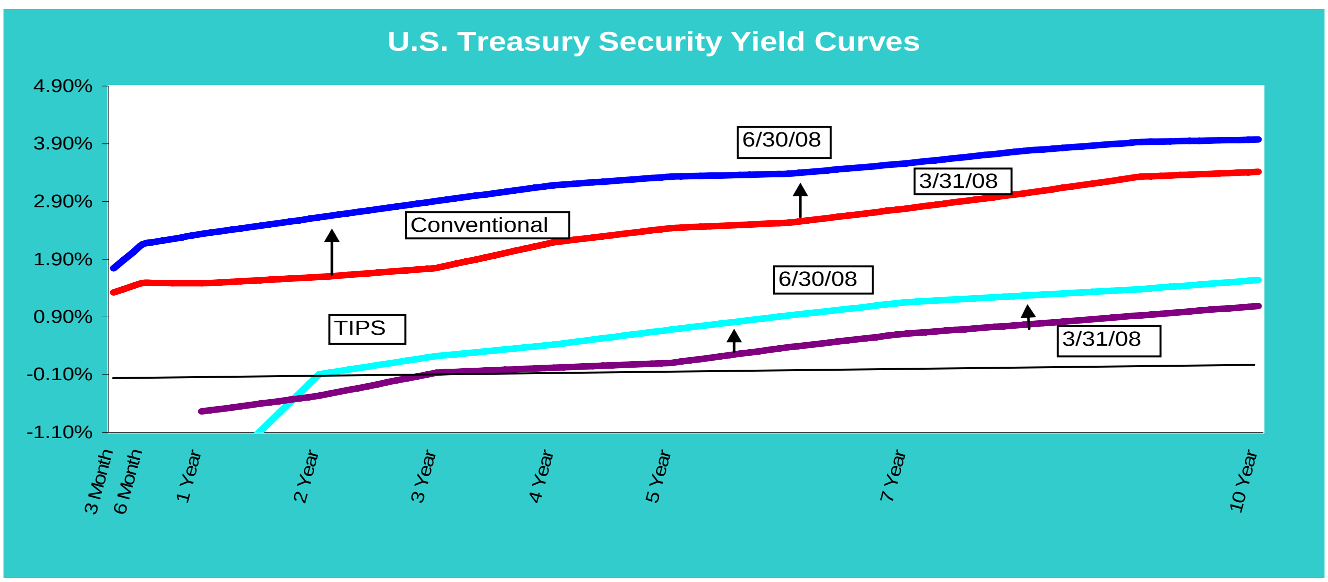
[3] The Yield-to-Maturity includes the potential yield of Treasury Inflation-Protected Securities (TIPS), which assumes an average 2.2% annual increase in the CPI over the remaining life of each TIPS.

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

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

	6/30/08	12/31/07	Change
Book Value [5]	$583	$393	($190)
Yield-to-Maturity	2.43%	4.22%	(1.79%)
Weighted Average Maturity (in days)	1	19	(18)

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



Approved Investment Strategies

DEPOSIT INSURANCE FUND

Strategy as of 2nd Quarter 2008

Maintain a $150 million target floor overnight investment balance.

Strategically invest all available funds in excess of the target overnight investment balance, which may include purchasing conventional Treasury securities within the zero- to six-year maturity sector, purchasing Treasury Inflation-Protected Securities (TIPS) within the two- to ten-year maturity sector, and/or purchasing callable Treasury securities, subject subject to the following limitations:

→ All newly purchased Treasury securities shall be designated available-for-sale (AFS).

→ Newly purchased AFS conventional Treasury securities should have maturities of six years or less.

Increase the portfolio's primary reserve balance to the maximum extent possible.

Strategy Changes for 3rd Quarter 2008

Invest all proceeds from assessments, maturing securities, coupon and other interest payments, and receivership dividends in overnight investments for potential resolution funding needs.

NATIONAL LIQUIDATION FUND

Strategy as of 2nd Quarter 2008

Maintain a target overnight investment balance between $20 million and $25 million.

Strategically invest the remaining funds in the zero- to 12-month maturity sector.

Strategy Changes for 3rd Quarter 2008

No changes in strategy.

Executive Summary of 2008 Budget and Expenditures
by Major Expense Category
Through June 30, 2008
(Dollars in Thousands)

Major Expense Category	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Ongoing Operations				
Salaries & Compensation	$338,761	$331,405	98%	($7,356)
Outside Services - Personnel	87,926	71,597	81%	(16,329)
Travel	29,446	30,037	102%	591
Buildings	27,217	26,717	98%	(500)
Equipment	21,048	18,047	86%	(3,001)
Outside Services - Other	7,015	9,139	130%	2,124
Other Expenses	5,321	4,563	86%	(758)
Total Ongoing Operations	**$516,734**	**$491,505**	**95%**	**($25,229)**
Receivership Funding				
Salaries & Compensation	$2,565	$1,217	47%	($1,348)
Outside Services - Personnel	20,109	16,691	83%	(3,418)
Travel	2,777	1,270	46%	(1,507)
Buildings	2,556	1,364	53%	(1,192)
Equipment	1,368	4,901	358%	3,533
Outside Services - Other	263	626	238%	363
Other Expenses	751	1,551	207%	800
Total Receivership Funding	**$30,389**	**$27,620**	**91%**	**($2,769)**
Total Corporate Operating Budget	**$547,123**	**$519,125**	**95%**	**($27,998)**
Investment Budget [1]	**$14,713**	**$14,413**	**98%**	**($300)**
Grand Total	**$561,836**	**$533,538**	**95%**	**($28,298)**

1) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2008 spending estimates for approved projects. Detailed quarterly reports on the status of those projects are provided separately to the Board by the Capital Investment Review Committee.

Executive Summary of 2008 Budget and Expenditures
by Budget Component and Division/Office
Through June 30, 2008
(Dollars in Thousands)

Division/Office	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Supervision & Consumer Protection	$203,263	$200,341	99%	($2,922)
Information Technology	100,962	93,292	92%	(7,670)
Administration	81,533	74,705	92%	(6,828)
Resolutions & Receiverships	44,661	40,542	91%	(4,119)
Legal	41,672	38,731	93%	(2,941)
Insurance & Research	18,333	15,555	85%	(2,778)
Finance	15,475	14,128	91%	(1,347)
Inspector General	13,152	11,477	87%	(1,675)
Corporate University	16,250	16,187	100%	(63)
Executive Support [1]	9,297	11,625	125%	2,328
Executive Offices [2]	2,525	2,476	98%	(49)
Government Litigation	0	66	N/A	66
Total, Corporate Operating Budget	**$547,123**	**$519,125**	**95%**	**($27,998)**
Investment Budget [3]				
Information Technology	$13,949	$13,632	98%	($317)
Resolutions & Receiverships	20	541	2705%	521
Insurance & Research	686	240	35%	(446)
Corporate University	58	0	0%	(58)
Total, Investment Budget [3]	**$14,713**	**$14,413**	**98%**	**($300)**
Combined Division/Office Budgets				
Supervision & Consumer Protection	$203,263	$200,341	99%	($2,922)
Information Technology	114,911	106,924	93%	(7,987)
Administration	81,533	74,705	92%	(6,828)
Resolutions & Receiverships	44,681	41,083	92%	(3,598)
Legal	41,672	38,731	93%	(2,941)
Insurance & Research	19,019	15,795	83%	(3,224)
Finance	15,475	14,128	91%	(1,347)
Inspector General	13,152	11,477	87%	(1,675)
Corporate University	16,308	16,187	99%	(121)
Executive Support [1]	9,297	11,625	125%	2,328
Executive Offices [2]	2,525	2,476	98%	(49)
Government Litigation	0	66	N/A	66
Grand Total	**$561,836**	**$533,538**	**95%**	**($28,298)**

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, and Deputy to the Chairman and Chief Financial Officer.

3) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2008 spending estimates for approved projects. Detailed quarterly reports on the status of those projects are provided separately to the Board by the Capital Investment Review Committee.