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

November 12, 2010

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 2010 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the period ending September 30, 2010.

Executive Summary

- During third quarter of 2010, the Deposit Insurance Fund (DIF) balance increased by $7.2 billion to negative $8.0 billion. This increase was primarily due to a $3.6 billion increase in assessments earned and a $3.8 billion decrease in provision for insurance losses, offset by a $414 million increase in operating expenses.

- During the third quarter of 2010, the FDIC was named receiver for 41 failed institutions. The combined assets at inception for these institutions totaled approximately $14.0 billion with a total estimated loss of $2.3 billion. The corporate cash outlay during the third quarter for these failures was approximately $3.3 billion.

- For the nine months ending September 30, 2010, Corporate Operating Budget expenditures were below budget by 6 percent ($163.9 million). This variance was primarily the result of lower spending for contractual services and vacancies in budgeted positions in both the Receivership Funding and the Ongoing Operations components.

- Expenditures from the Investment Budget were 62 percent ($0.7 million) below project spending estimates through September 30, 2010. For the information technology projects that make up the Investment Budget, 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	• As of September 30, 2010, unearned assessment revenue was $33.4 billion, which is the amount remaining from the $45.7 billion in prepaid assessments collected on December 30, 2009. Estimated assessments were prepaid by the majority of institutions for the period October 2009 through December 2012, and are recorded as a liability. As a result, the DIF recognized prepaid assessments of $3.4 billion during the third quarter of 2010. Additional assessment revenue of $248 million was recognized for third quarter insurance coverage from institutions that were exempt from the mandatory prepayments. Therefore, the total assessment revenue recognized during the third quarter of 2010 was $3.6 billion. • An institution's quarterly risk-based deposit insurance assessment thereafter is offset by the amount prepaid until that amount is exhausted or until June 30, 2013, when any amount remaining would be returned to the institution.

Trends and Outlook	
Financial Results	Comments
II. Investments	• The total liquidity (total market value plus accrued interest) of all DIF-related investment portfolios stood at $43.7 billion on September 30, 2010, down from $66.1 billion on December 31, 2009, led primarily by the decline in the DIF investment portfolio as discussed below. • The DIF investment portfolio's amortized cost (book value) decreased by $21.8 billion during the first three quarters of 2010, totaling $37.4 billion on September 30, 2010. The decrease was the result of having to fund 127 bank failures during the first three quarters of 2010. It should be noted that 106 of these failures were resolved as cash-conserving 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 portfolio's balance. Moreover, during the first three quarters, the DIF received $8.6 billion in dividends and other payments from receiverships, which also helped to mitigate the DIF portfolio's decline. Nevertheless, the DIF portfolio's balance is expected to continue to decline over the next few quarters. • At the end of the third quarter, the DIF investment portfolio's yield was 0.47 percent, down 2 basis points from its December 31, 2009, yield of 0.49 percent. A primary negative factor was $3.1 billion in relatively high yielding Treasury notes and bonds that matured during the period. However, a generally offsetting positive factor was that overnight investment yields increased considerably, rising from 0.02 percent on December 31, 2009, to 0.12 percent on September 30, 2010—and the ultra-low yielding overnight investments comprised a considerably larger percentage of the DIF portfolio at the beginning of the year. • Short-term Treasury bill yields declined modestly during the third quarter of 2010, while longer-maturity Treasury yields posted more dramatic declines. Treasury yields remain at historically low levels, reflecting such factors as subdued inflation trends and stable inflation expectations, as well as the ultra-low federal funds target rate and continuing investor expectations that the rate will remain low for some time. Moreover, the recent declines in longer-maturity Treasury yields reflect growing concerns over signs of a potential slowdown in both domestic and global economic growth. Nevertheless, according to consensus expectations, Treasury yields are expected to increase, albeit modestly, during 2011.

Trends and Outlook	
Financial Results	Comments
III. Budget	• Approximately $1.0 billion was spent in the Ongoing Operations component of the 2010 Corporate Operating Budget, which was $76.4 million (7 percent) below the budget for the nine months ending September 30, 2010. Most of this variance reflected lower-than-budgeted spending in the Outside Services-Personnel expense category by $25.6 million, the Salaries and Compensation expense category by $21.5 million, and the Equipment expense category by $16.0 million. • Approximately $1.5 billion was spent in the Receivership Funding component of the 2010 Corporate Operating Budget, which was $87.5 million (5 percent) below the budget for the nine months ending September 30, 2010. Actual expenses were significantly less than budget in Outside Services-Personnel expense category by $157.7 million, Salaries and Compensation expense category by $28.2 million, and Travel expense category by $13.4 million. This was partially offset by overspending in Other Expenses by $75.2 million and Outside Services-Other by $40.0 million.

I. <u>Corporate Fund Financial Results</u> (See pages 11 - 12 for detailed data and charts.)

Deposit Insurance Fund (DIF)

- For the nine months ending September 30, 2010, the DIF's comprehensive income totaled $12.9 billion compared with a comprehensive loss of $25.5 billion for the same period last year. This $38.4 billion year-over-year increase was primarily due to a $43.2 billion decline in the provision for insurance losses partially offset by a $4.6 billion decrease in assessments earned, a $462 million decline in interest income from U.S. Treasury obligations, and a $249 million increase in operating expenses.

- The provision for insurance losses was a negative $3.3 billion as of September 30, 2010, compared to a positive $39.9 billion for the same period in 2009. The 2009 provision reflected the significant increase in losses estimated to be incurred by the DIF from 2009 and future failures. In contrast, the 2010 negative provision is primarily influenced by two factors—lower-than-anticipated loss estimates at time of failure for banks that have failed and leveling off of estimated losses to the DIF from banks expected to fail.

- During the third quarter of 2010, the Debt Guarantee Program (DGP) incurred $5.3 million in losses related to the default of DGP-guaranteed debt. To date, three debt issuers have defaulted on guaranteed debt totaling $7.3 million.

FSLIC Resolution Fund (FRF)

- In August, the Adam Corporation/Group (TACG) paid the FRF $43.2 million, as ordered by an arbitration panel in June, to resolve a dispute over the tax benefit sharing payments due to the

FDIC, in its capacity as manager of FRF, under the tax provisions of a 1988 FSLIC Assistance Agreement. Of the amount paid, $42.6 million is included in the line item *Recovery of Tax Benefits.* The remaining $560 thousand consists of a supplemental award for reimbursement of fees and expenses and interest on the late payment of the award. The FRF had accrued $42.6 million in June based on the arbitration panel's decision.

II. Investments

Investment Results (See pages 13 - 14 for detailed data and charts.)

DIF Investment Portfolio

- The amortized cost (book value) of the DIF investment portfolio decreased by $21.8 billion during the first three quarters of 2010, or 36.8 percent, from $59.3 billion on December 31, 2009, to $37.4 billion on September 30, 2010. Similarly, the DIF portfolio's primary reserve (total market value plus accrued interest) decreased by $22.0 billion or 37.0 percent, from $59.5 billion on December 31, 2009, to $37.5 billion on September 30, 2010. During the period, resolution outlays and operating expenses greatly exceeded receivership payments, assessment collections, and other inflows.

- The DIF investment portfolio's total return for the first three quarters of 2010 was 0.13 percent, 698 basis points lower than its benchmark, the Merrill Lynch 1 – 10 Year U.S. Treasury Index (Index), which had a total return of 7.11 percent during the same period. Given that most longer-maturity Treasury yields declined during the period (that is, Treasury security prices rose), the DIF portfolio's large balances of comparatively low yielding overnight investments and short-maturity Treasury bills (T-Bills) were a drag on performance relative to the Index's longer-duration conventional Treasury securities.

- In accordance with the approved third quarter 2010 investment strategy, which strove to balance the need for liquidity against the desire to pick up some yield by investing in short-maturity Treasuries, staff purchased a total of four short-maturity T-Bills during the third quarter of 2010. The four securities had a total par value of $4.0 billion, a weighted average yield-at-cost of 0.19 percent, and a weighted average maturity (WAM) of 0.45 years.

Other Corporate Investment Portfolios

- During the first three quarters of 2010, the book value of the Debt Guarantee Program (DGP) investment portfolio decreased from $6.4 billion on December 31, 2009, to $6.2 billion on September 30, 2010. Although the DGP portfolio received a total of $433 million in reimbursements from Transaction Account Guarantee (TAG) Program assessments during the period, the DGP reimbursed $712 million to the DIF for claims against the TAG Program, hence the net decline in the DGP investment portfolio. In accordance with the approved third quarter 2010 investment strategy for the DGP portfolio, staff purchased two short-maturity T-Bills during the most recent quarter. The securities had a total par value of $600 million, a weighted average yield-at-cost of 0.19 percent, and a WAM of 0.46 years.

- During the first three quarters of 2010, as mentioned above, the FDIC collected about $433 million in fees related to the TAG Program under the Temporary Liquidity Guarantee Program.

Again, these funds were immediately transferred to the DGP investment portfolio for reimbursement of claims and expenses, so the TAG Program investment portfolio had no balance on September 30, 2010.

The Treasury Market

- Short-maturity Treasury bill yields declined modestly during the third quarter of 2010, while longer-maturity Treasury yields posted more dramatic declines. The three-month T-Bill yield decreased by 2 basis points, while the yield on the six-month T-Bill decreased by 3 basis points. The one-year T-Bill yield declined by 6 basis points. The two-year Treasury note yield, which is sensitive not only to actual and anticipated changes in the federal funds rate, but also to changes in investor sentiment, declined by 18 basis points. Intermediate- to longer-maturity Treasury security yields declined during the third quarter. The yield on the five-year Treasury note declined by 51 basis points, while the yield on the ten-year Treasury note declined by 42 basis points. Consequently, the conventional Treasury yield curve flattened during the quarter. On September 30, 2010, the two-year to ten-year yield curve had a 209-basis point positive spread (lower than the 233-basis point spread at the beginning of the quarter). Over the past five years, this spread has averaged 123 basis points.

Prospective Strategies

- Similar to the third quarter investment strategy, the fourth quarter 2010 DIF investment strategy calls for purchasing up to $20.0 billion of shorter-term Treasury securities with maturities between January 1, 2011, and December 31, 2011. This strategy attempts to balance the need to maintain sufficient portfolio liquidity for the funding of potential near-term resolutions against the yield pick-up that can be obtained by investing in short-maturity Treasury securities.

- For the Debt Guarantee Program, similar to its third quarter investment strategy, the fourth quarter 2010 investment strategy calls for purchasing up to $2.0 billion of Treasury securities with maturities between January 1, 2011, and December 31, 2011. Again, this strategy attempts to balance the need to maintain sufficient portfolio liquidity against the yield pick-up that can be obtained by investing in short-maturity securities.

III. <u>Budget Results</u> (See pages 15 - 16 for detailed data.)

Approved Budget Modifications

The 2010 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to make certain modifications to the 2010 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 2010 Corporate Operating Budget approved by the Board.

- In early August 2010, the CFO approved the reallocation of existing budget authority within the Ongoing Operations and Receivership Funding components of the 2010 Corporate Operating Budget following the mid-year reassessment of actual and projected spending and the second quarter analysis of spending for salaries, bonuses, and fringe benefits. Funding was also provided for 219 newly authorized positions. The budgets for all divisions and offices and all major expense categories were adjusted in this reallocation. In conjunction with these reallocations, the Corporate Unassigned budgets were reduced by $16,793,089 and $8,528,963, respectively, in the Ongoing Operations and Receivership Funding budget components. This reallocation was made effective in July 2010.

- In August 2010, in conjunction with the establishment of the Office of Complex Financial Institutions (CFI) by the Board of Directors, the CFO approved the reallocation of $2,356,537 in budget authority from the Division of Supervision and Consumer Protection (DSC) Ongoing Operations budget to the Ongoing Operations budget of the new CFI. This adjustment realigned budget authority within the Salaries and Compensation, Outside Services-Personnel, Travel, and Other Expenses categories.

- In August 2010, the CFO approved a $1,953,530 million increase in the Ongoing Operations budget for the Division of Information Technology (DIT) with an offsetting decrease of $1,953,530 in DIT's Receivership Funding budget. This adjustment provided additional budget authority for contractual services in the Ongoing Operations budget component for infrastructure support and removed excess budget authority for these services in the Receivership Funding budget component. The Corporate Unassigned budget authority for the Ongoing Operations and Receivership Funding budget components were adjusted by like amounts to fund this adjustment within the Outside Services-Personnel expense category.

- In October, the CFO approved a reallocation of $775,000 in budget authority within the Ongoing Operations component of the 2010 Corporate Operating Budget from the Corporate Unassigned budget to the Chief Financial Officer's Ongoing Operations budget to cover higher-than budgeted expenses for the 2009 audit conducted by the Government Accountability Office (GAO). This reallocation was made effective in September 2010.

Following these budget reallocations, the amounts remaining available within the Corporate Unassigned budgets for the Ongoing Operations and Receivership Funding budget components are $9,781,136 and $183,513,744, respectively.

Approved Staffing Modifications

The 2010 Budget Resolution delegated to the CFO the authority to modify approved 2010 staffing authorizations for divisions and offices, as long as those modifications did not increase the total approved 2010 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 August 2010, the CFO approved an increase of 219 authorized positions (49 permanent, 170 non-permanent) within four divisions. Authorized staffing was increased by 150 positions (all non-permanent) in the Division of Resolutions and Receiverships (DRR) to provide increased contractor oversight capabilities; by 45 positions (43 permanent, 2 non-permanent) in DSC, largely for additional field compliance examiner positions; by 12 positions (5 permanent, 7 non-permanent) in DIT for increased information security activities; and by 12 positions (1 permanent, 11 non-permanent) in the Division of Administration (DOA) for a permanent Information Security Manager and non-permanent Contract Specialists to address the substantial increase in DRR contracting.

- In August 2010, the CFO approved an initial authorization of 148 positions (all permanent) for CFI, through the transfer of 35 previously-authorized positions from DSC and the establishment of 113 newly authorized positions.

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, 2010, 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 five major expense categories through the third quarter in the Ongoing Operations component of the 2010 Corporate Operating Budget:

- Outside Services-Personnel expenditures were $25.6 million, or 14 percent, less than budgeted. Approximately $5.5 million of this variance was attributable to under spending by DIT for internal operations due to delays in starting several internal initiatives, and $4.2 million was attributable to the budget timing on the CIO Council discretionary funds and development projects. Department of Justice expenses for the goodwill litigation were $5.0 million lower than expected through the third quarter. DRR spent $3.2 million less than budgeted due to postponement of training of new employees in the use of the Claims Administration System (CAS) and the Asset Liability Management System (ALMS) as well as delays in the initiation of various business process improvements. In addition, CU spent $2.7 million less than budgeted, largely due to delays in obtaining subject matter experts (SMEs) for College of Corporate Business projects.

- Buildings expenditures were $4.2 million, or 7 percent, less than budgeted, largely due to generous landlord concessions in the New York Regional Office and the Courthouse building, and surpluses in the maintenance, repairs and improvements budgets.

- Equipment expenditures were approximately $16.0 million, or 26 percent, less than budgeted, primarily due to timing issues on hardware/software purchases. Major procurements have been initiated for key components including laptops, printers and servers. Once these components are received, this variance will be significantly reduced.

- Outside Services-Other expenditures were $3.3 million, or 20 percent, less than budgeted. DOA spent $1.7 million less than budgeted, largely due to lower unit shipping costs resulting from the decision to incorporate General Services Administration's (GSA) Strategic Source Initiative; significant savings from establishing ground service as the default for express mail services; and lower-than-budgeted spending for insurance. In addition, OPA spent $1.3 million less than budgeted for its advertising and publicity campaigns due to the office's need to redirect its attention to more urgent matters relating to the implementation of Dodd-Frank legislation.

- Other Expenses expenditures were $3.6 million, or 32 percent, less than budgeted. The variance was mostly due to significant underutilization of Professional Learning Account budgets and off-site conferences by employees in order to meet ongoing workload priorities.

Receivership Funding

The Receivership Funding component of the 2010 Corporate Operating Budget includes funding for expenses that are incurred in conjunction with insured 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 of the seven major expense categories through the third quarter in the Receivership Funding component of the 2010 Corporate Operating Budget:

- Salaries & Compensation ($28.2 million, or 15 percent, less than budgeted).

- Outside Services-Personnel ($157.7, million or 15 percent, less than budgeted).

- Travel ($13.4 million, or 30 percent, less than budgeted).

- Equipment ($6.5 million, or 23 percent, less than budgeted).

- Outside Services-Other ($40.0 million, or 202 percent, more than budgeted).

- Other Expenses ($75.2 million, or 70 percent, more than budgeted).

The variance in the Salaries and Compensation category was attributable to slower than projected hiring of non-permanent staff. The variances in the Outside Services-Personnel expense category were attributable to fewer-than-anticipated resolutions through the third quarter of 2010; lower than expected costs for records management and storage services, guard services, and administrative contract expenses associated with bank closing activities. In addition, more FDIC staff and fewer contractors were used to reconfigure and test bank closing telecommunications equipment and to setup telecommunications support at bank closings. The variance in the Travel category was due to a lower-than-anticipated number of resolutions through the third quarter of 2010. The variance in the Equipment category was primarily attributable to lower laptop prices and lower than anticipated costs for the Midwest Temporary Satellite Office (MWTSO). The variance in the Outside Services-Other expense category reflected approximately $43.3 million in unbudgeted guarantee fee costs that were incurred in conjunction with a Limited Liability Company (LLC) transaction. The variance in the Other Expense category was attributable to the extensive time required to facilitate the transfer of banking operations and the disposition of the failed bank assets.

Significant Spending Variances by Division/Office[1]

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

- DRR spent $63.8 million, or 4 percent, less than budgeted, mostly due to less-than-budgeted spending for resolution and receivership workload activities for the reasons identified above.

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

This was slightly offset by the payment of a large, unbudgeted guarantee fee and greater-than-budgeted expenses in the Other Expense category in connection with disposition of failed bank assets.

- DIT spent $37.7 million, or 20 percent, less than budgeted. This variance was largely attributable to the timing of equipment purchases; lower-than-anticipated expenses for the MWTSO facility and laptops; delays in starting some internal DIT initiatives and vacancies in budgeted positions.

- DOA spent $15.1 million, or 7 percent, less than budgeted. This variance was largely attributable to generous landlord concessions in the Courthouse building and the New York Regional Office; surpluses in maintenance, repairs and improvements; lower-than-budgeted spending for Insurance; lower unit shipping costs from incorporating GSA's Strategic Sourcing Initiative; significant savings realized by establishing ground services as the default for express mail services; and delays in filling budgeted vacancies.

- The Legal Division spent $10.6 million, or 5 percent, less than budgeted. This variance included approximately $8.4 million in under spending for Receivership Funding salaries due to slower than projected hiring to fill budgeted positions.

- Government Litigation was $5.0 million, or 74 percent, less than budgeted. This variance was attributable to lower than expected expense reimbursements to the Department of Justice for litigation expenses on the Goodwill cases.

- The CIO Council spent $4.1 million, or 9 percent, less than budgeted. This variance was primarily attributable to delays in the development projects to which funds were allocated by the CIO Council and under spending for discretionary funds by divisions and offices for small enhancements.

- The Division of Finance spent $4.2 million, or 15 percent, less than budgeted. This variance was attributable to lower than expected requirements for contractor services for temporary DOF accounting and auditing work and slower than expected hiring.

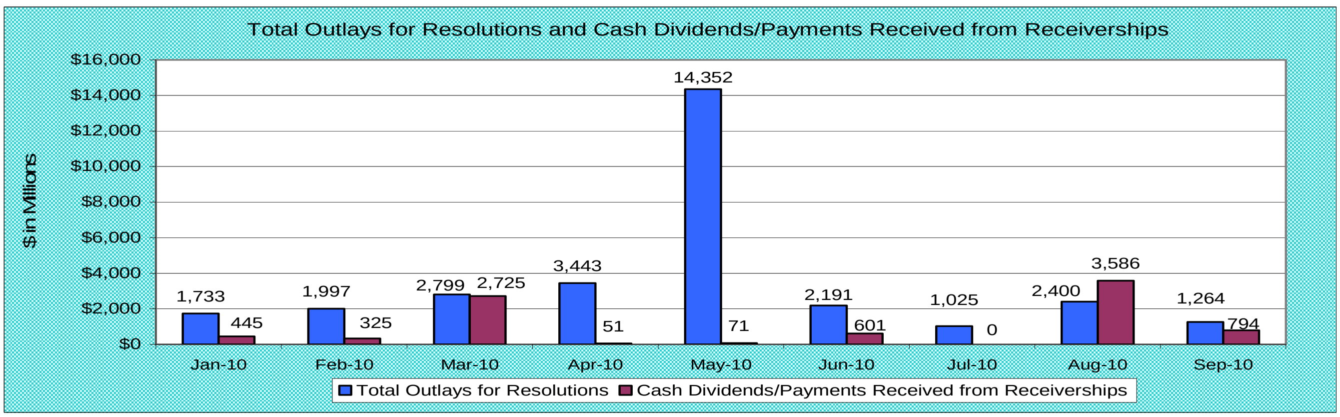
- The Office of the Inspector General spent $3.8 million, or 13 percent, less than budgeted. This variance included approximately $1.7 million in under spending for Outside Services-Personnel due to a delay in awarding audit contracts. The OIG was under a continuing resolution for the first quarter of the fiscal year, which delayed spending in this area during the following quarter.

Fund Financial Results

($ in Millions)

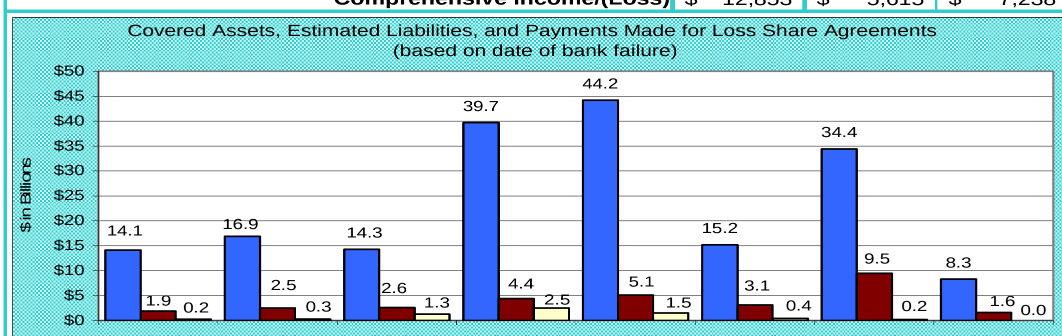
Balance Sheet	Sep-10	Jun-10	Quarterly Change	Sep-09	Year-Over-Year Change
Cash & cash equivalents - unrestricted	$ 22,701	$ 18,824	$ 3,877	$ 8,546	$ 14,155
Cash & investments - restricted - systemic risk	6,158	5,786	372	7,141	(983)
Investment in U.S. Treasury obligations, net	14,727	19,264	(4,537)	7,590	7,137
Trust preferred securities	2,315	2,130	185	-	2,315
Assessments receivable, net	248	313	(65)	3,353	(3,105)
Receivables and other assets, net - systemic risk	3,007	3,486	(479)	5,110	(2,103)
Interest receivable on investments and other assets, net	163	165	(2)	159	4
Receivables from resolutions, net	49,684	50,451	(767)	30,321	19,363
Property, buildings and other capitalized assets, net	387	391	(4)	376	11
Total Assets	$ 99,390	$ 100,810	$ (1,420)	$ 62,596	$ 36,794
Accounts payable and other liabilities	370	328	42	199	171
Unearned revenue - prepaid assessments	33,370	36,785	(3,415)	-	33,370
Liabilities due to resolutions	42,796	41,862	934	20,106	22,690
Deferred revenue - systemic risk	8,729	8,321	408	10,316	(1,587)
Postretirement benefit liability	145	145	-	114	31
Contingent Liabilities: future failures	21,267	27,534	(6,267)	38,933	(17,666)
Contingent Liabillties: systemic risk	422	782	(360)	871	(449)
Contingent Liabilities: litigation losses & other	300	300	-	300	0
Total Liabilities	$ 107,399	$ 116,057	$ (8,658)	$ 70,839	$ 36,560
FYI: Unrealized gain/(loss) on U.S. Treasury investments, net	40	62	(22)	192	(152)
FYI: Unrealized gain/(loss) on trust preferred securities	353	168	185	-	353
FYI: Unrealized postretirement benefit (loss)/gain	(3)	(3)	-	25	(28)
FUND BALANCE	$ (8,009)	$ (15,247)	$ 7,238	$ (8,243)	$ 234

Deposit Insurance Fund



Income Statement (year-to-date)	Sep-10	Jun-10	Quarterly Change	Sep-09	Year-Over-Year Change
Assessments earned	$ 10,112	$ 6,520	$ 3,592	$ 14,675	$ (4,563)
Systemic risk revenue	(418)	(138)	(280)	972	(1,390)
Interest earned on U.S. Treasury obligations	166	126	40	628	(462)
Realized gain on sale of securities	-	-	-	1,389	(1,389)
Other revenue	173	79	94	699	(526)
Total Revenue	$ 10,033	$ 6,587	$ 3,446	$ 18,363	$ (8,330)
Operating expenses (includes depreciation expense)	1,141	727	414	892	249
Systemic risk expenses	(418)	(138)	(280)	972	(1,390)
Provision for insurance losses	(3,294)	469	(3,763)	39,946	(43,240)
Other expenses	2	2	-	14	(12)
Total Expenses & Losses	$ (2,569)	$ 1,060	$ (3,629)	$ 41,824	$ (44,393)
Net Income/(Loss)	12,602	5,527	7,075	(23,461)	36,063
Unrealized gain/(loss) on U.S. Treasury investments, net	(102)	(80)	(22)	(2,058)	1,956
Unrealized gain/(loss) on trust preferred securities	353	168	185	-	353
Unrealized postretirement benefit gain/(loss)	-	-	-	-	-
Comprehensive Income/(Loss)	$ 12,853	$ 5,615	$ 7,238	$ (25,519)	$ 38,372

Deposit Insurance Fund



* Includes IndyMac conservatorship

- Total number of Loss Share Agreements = 199
- Total Covered Assets (at inception) = $187.1 billion
- Total Remaining Estimated Loss Share Liabilities = $30.7 billion
- Total Payments-to-date = $6.4 billion

Fund Financial Results - continued

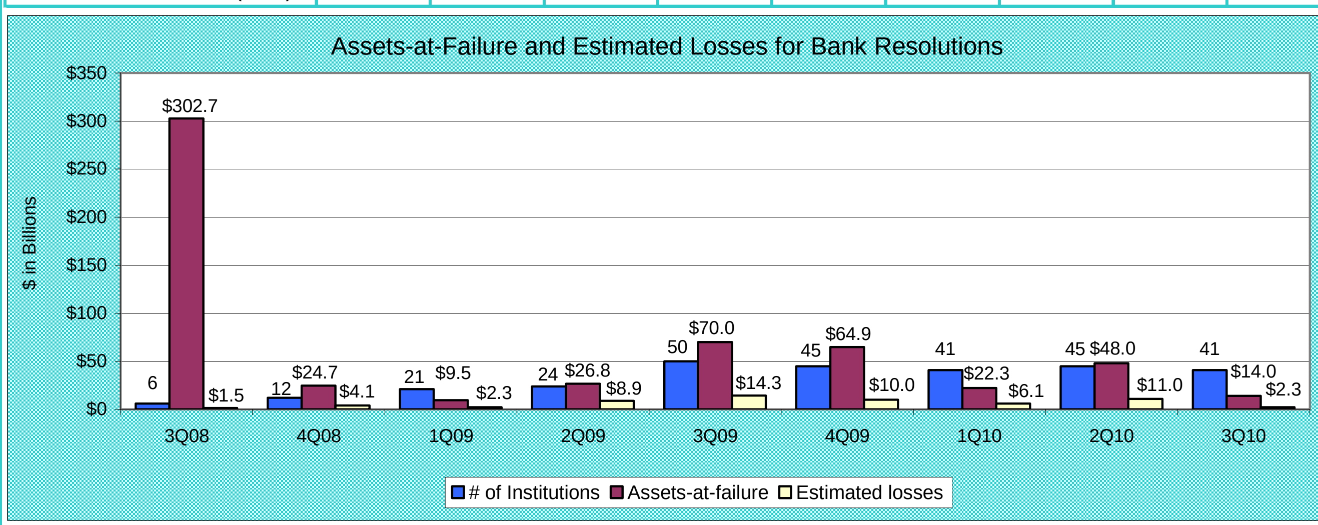
($ in Millions)

Statement of Cash Flows (year-to-date)	Deposit Insurance Fund				
	Sep-10	Jun-10	Quarterly Change	Sep-09	Year-Over-Year Change
Net Income/(Loss)	$ 12,602	$ 5,527	$ 7,075	$ (23,461)	$ 36,063
Amortization of U.S. Treasury obligations (unrestricted)	(4)	(17)	13	191	(195)
TIPS inflation adjustment	(17)	(13)	(4)	18	(35)
Depreciation on property and equipment	50	34	16	50	-
Loss on retirement of property and equipment	-	-	-	-	-
Provision for insurance losses	(3,294)	469	(3,763)	39,946	(43,240)
Unrealized (loss)/gain on postretirement benefits	-	-	-	-	-
(Gain) on sale of UST obligations	-	-	-	(1,389)	1,389
Guarantee termination fee from Citigroup	-	-	-	-	-
Systemic risk expenses	-	-	-	-	-
Net change in operating assets and liabilities	(31,634)	(28,073)	(3,561)	(22,444)	(9,190)
Net Cash (Used by)/Provided by Operating Activities	$ (22,297)	$ (22,073)	$ (224)	$ (7,089)	$ (15,208)
Investments matured and sold	11,858	2,643	9,215	19,391	(7,533)
Investments purchased (includes purchase of property and equipment)	(23,125)	(18,481)	(4,644)	(3)	(23,122)
Net Cash (Used by)/Provided by Investing Activities	$ (11,267)	$ (15,838)	$ 4,571	$ 19,388	$ (30,655)
Net (Decrease)/Increase in Cash and Cash Equivalents	(33,564)	(37,911)	4,347	12,299	(45,863)
Cash and Cash Equivalents at beginning of year	60,523	60,523	-	3,388	57,135
Unrestricted Cash and Cash Equivalents - Ending	22,701	18,824	3,877	8,546	14,155
Restricted Cash and Cash Equivalents - Ending	4,258	3,788	470	7,141	(2,883)
Cash and Cash Equivalents - Ending	$ 26,959	$ 22,612	$ 4,347	$ 15,687	$ 11,272

Selected Financial Data	FSLIC Resolution Fund				
	Sep-10	Jun-10	Quarterly Change	Sep-09	Year-Over-Year Change
Cash and cash equivalents	$ 3,541	$ 3,497	$ 44	$ 3,454	$ 87
Accumulated deficit, net	(124,288)	(124,284)	(4)	(123,959)	(329)
Resolution equity	3,560	3,570	(10)	3,483	77
Total revenue	11	9	2	8	3
Operating expenses	3	2	1	4	(1)
Goodwill litigation expenses	2	-	2	4	(2)
Recovery of tax benefits	(58)	(58)	-	10	(68)
Net Income/(Loss)	$ 60	$ 65	$ (5)	$ (11)	$ 71

Receivership Statistics September 2010 vs. September 2009

	DIF			FRF			ALL FUNDS		
($ in millions)	Sep-10	Sep-09	*Change*	Sep-10	Sep-09	*Change*	Sep-10	Sep-09	*Change*
Total Receiverships	306	134	172	8	8	-	314	142	172
Assets in Liquidation	$ 34,822	$ 38,222	$ (3,400)	$ 28	$ 34	$ (6)	$ 34,850	$ 38,256	$ (3,406)
Collections (YTD)	$ 15,821	$ 6,750	$ 9,071	$ 13	$ 5	$ 8	$ 15,834	$ 6,755	$ 9,079
Dividends Paid - Cash (YTD)	$ 7,326	$ 4,162	$ 3,164	$ -	$ -	$ -	$ 7,326	$ 4,162	$ 3,164



Deposit Insurance Fund Portfolio Summary (Dollar Values in Millions)			
	9/30/10	12/31/09	Change
Par Value	$37,441	$59,268	($21,827)
Amortized Cost	$37,443	$59,286	($21,843)
Market Value	$37,483	$59,428	($21,945)
Primary Reserve [1]	$37,500	$59,525	($22,025)
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Year-to-Date Total Return (Portfolio)	0.129%	0.306%	not applicable
Year-to-Date Total Return (Benchmark) [2]	7.106%	(1.411%)	not applicable
Total Return Variance (in basis points)	(697.7)	171.7	not applicable
Yield-to-Maturity [3]	0.47%	0.49%	(0.02%)
Weighted Average Maturity (in years)	0.12	0.08	0.04
Effective Duration (in years) [4]			
Total Portfolio	0.11	0.06	0.05
Available-for-Sale Securities	0.28	0.66	(0.38)
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)			
	9/30/10	12/31/09	Change
Debt Guarantee Program			
Par Value	$6,158	$6,431	($273)
Book Value	$6,157	$6,431	($274)
Market Value	$6,158	$6,431	($273)
Yield-to-Maturity	0.15%	0.02%	0.13%
Weighted Average Maturity	0.08	overnight	0.08
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 [7]			
Book Value [6]	$0	$192	($192)
Yield-to-Maturity	not applicable	0.02%	not applicable
Weighted Average Maturity	not applicable	overnight	not applicable
FRF-FSLIC			
Book Value [6]	$3,388	$3,330	$58
Yield-to-Maturity	0.12%	0.02%	0.10%
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.

[7] All funds in this portfolio ($192 million) were transferred to the DIF investment portfolio on January 7, 2010, as a result of the December 23, 2009, termination agreement of the Citigroup asset guarantee program.

National Liquidation Fund (NLF) Investment Portfolio Summary (Dollar Values in Millions)			
	9/30/10	12/31/09	Change
Book Value [8]	$15,564	$7,223	$8,341
Effective Annual Yield	0.19%	0.11%	0.08%
Weighted Average Maturity (in days)	7	5	2

[8] 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 2010** Purchase up to $15 billion (par value) of available-for-sale (AFS) securities with maturity dates between October 1, 2010, and June 30, 2011, subject to the following additional restrictions: no more than $10 billion (par value) of such securities shall have maturity dates beyond December 31, 2010; and no more than $3 billion (par value) of such securities shall have maturity dates beyond March 31, 2011. **Strategy Changes for 4th Quarter 2010** Purchase up to $20 billion (par value) of available-for-sale (AFS) securities with maturity dates between January 1, 2011, and December 31, 2011, subject to the following additional restrictions: no more than $15 billion (par value) of such securities shall have maturity dates beyond March 31, 2011; and no more than $10 billion (par value) of such securities shall have maturity dates beyond June 30, 2011.
DEBT GUARANTEE PROGRAM	**Strategy as of 3rd Quarter 2010** Purchase up to $2 billion (par value) of AFS securities with maturity dates between October 1, 2010, and June 30, 2011. **Strategy Changes for 4th Quarter 2010** Purchase up to $2 billion (par value) of AFS securities with maturity dates between January 1, 2011, and December 31, 2011.
NATIONAL LIQUIDATION FUND	**Strategy as of 3rd Quarter 2010** Maintain an overnight deposit target floor balance within a range of $15 million to $25 million. Strategically invest the remaining funds in the zero- to 12-month maturity sector. **Strategy Changes for 4th Quarter 2010** 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.

Executive Summary of 2010 Budget and Expenditures by Major Expense Category Through September 30, 2010 (Dollars in Thousands)				
Major Expense Category	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Ongoing Operations				
Salaries & Compensation	$694,717	$673,231	97%	($21,486)
Outside Services - Personnel	178,739	153,101	86%	(25,638)
Travel	65,641	63,506	97%	(2,135)
Buildings	58,713	54,488	93%	(4,225)
Equipment	61,350	45,367	74%	(15,983)
Outside Services - Other	16,524	13,191	80%	(3,333)
Other Expenses	11,236	7,622	68%	(3,614)
Total Ongoing Operations	**$1,086,920**	**$1,010,506**	**93%**	**($76,414)**
Receivership Funding				
Salaries & Compensation	$190,733	$162,534	85%	($28,199)
Outside Services - Personnel	1,076,761	919,038	85%	(157,723)
Travel	44,419	30,993	70%	(13,426)
Buildings	164,779	167,823	102%	3,044
Equipment	28,541	22,041	77%	(6,500)
Outside Services - Other	19,847	59,888	302%	40,041
Other Expenses	107,654	182,885	170%	75,231
Total Receivership Funding	**$1,632,734**	**$1,545,202**	**95%**	**($87,532)**
Total Corporate Operating Budget	**$2,719,654**	**$2,555,708**	**94%**	**($163,946)**
Investment Budget [1]	**$1,089**	**$413**	**38%**	**($676)**
Grand Total	**$2,720,743**	**$2,556,121**	**94%**	**($164,622)**

1) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2010 spending estimates for approved projects. The YTD expenditures amount includes a credit for reimbursed cost from a prior period.

Executive Summary of 2010 Budget and Expenditures by Budget Component and Division/Office Through September 30, 2010 (Dollars in Thousands)				
Division/Office	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Supervision & Consumer Protection	$431,785	$421,457	98%	(10,328)
Information Technology	184,874	148,066	80%	(36,808)
Administration	216,289	201,239	93%	(15,050)
Resolutions & Receiverships	1,476,925	1,412,902	96%	(64,023)
Legal	196,208	185,641	95%	(10,567)
Insurance & Research	32,384	29,993	93%	(2,391)
Finance	27,983	23,804	85%	(4,179)
Inspector General	28,184	24,398	87%	(3,786)
Corporate University - CEP	20,736	18,726	90%	(2,010)
Corporate University - Corporate	17,646	14,431	82%	(3,215)
Executive Support [1]	27,010	24,786	92%	(2,224)
Executive Offices [2]	7,769	8,044	104%	275
Complex Financial Institutions	589	0	0%	(589)
Government Litigation	6,700	1,749	26%	(4,951)
CIO Council	44,572	40,472	91%	(4,100)
Total, Corporate Operating Budget	**$2,719,654**	**$2,555,708**	**94%**	**(163,946)**
Investment Budget [3]				
Information Technology	$1,001	$118	12%	(883)
Resolutions & Receiverships	63	270	428%	207
Insurance & Research	25	25	100%	0
Total, Investment Budget [3]	**$1,089**	**$413**	**38%**	**(676)**
Combined Division/Office Budgets				
Supervision & Consumer Protection	$431,785	$421,457	98%	(10,328)
Information Technology	185,875	148,184	80%	(37,691)
Administration	216,289	201,239	93%	(15,050)
Resolutions & Receiverships	1,476,988	1,413,172	96%	(63,816)
Legal	196,208	185,641	95%	(10,567)
Insurance & Research	32,409	30,018	93%	(2,391)
Finance	27,983	23,804	85%	(4,179)
Inspector General	28,184	24,398	87%	(3,786)
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Complex Financial Institutions	589	0	0%	(589)
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CIO Council	44,572	40,472	91%	(4,100)
Grand Total	**$2,720,743**	**$2,556,121**	**94%**	**(164,622)**

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 2010 spending estimates for approved projects.