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

May 22, 2009

MEMORANDUM TO: The Board of Directors

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

Bret D. Edwards *Bret D. Edwards*
Director, Division of Finance

SUBJECT: First Quarter 2009 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the period ending March 31, 2009.

Executive Summary

- The Deposit Insurance Fund (DIF) balance decreased by 25 percent ($4.3 billion) to $13.0 billion during the first quarter of 2009. The first quarter 2009 decrease was primarily due to $6.6 billion in the provision for insurance losses and a $331.3 million decrease in the unrealized gain on available-for-sale securities, offset by $2.6 billion in assessment revenue, $136.3 million in the realized gain on sale of securities, and $212.1 million in interest earned on investment securities.

- During the first quarter of 2009, the FDIC was named receiver for 21 failed institutions. The combined assets at inception for these institutions totaled approximately $9.5 billion with an estimated loss totaling $2.2 billion. The corporate cash outlay during the first quarter for these failures was $3.6 billion. Eight receiverships entered into loss share agreements with the acquiring institutions and are expected to pay approximately $687.5 million over the length of the agreements.

- For the three months ending March 31, 2009, Corporate Operating and Investment Budget related expenditures ran below budget by 27 percent ($139.5 million) and 29 percent ($548.0 thousand), respectively. The variance with respect to the Corporate Operating Budget was primarily in the Receivership Funding budget component, where spending in all expense categories was well below budget for the first quarter. This budget surplus is expected to be reduced as expenses increase in future quarters in connection with additional resolution activity.

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

Trends and Outlook	
Financial Results	Comments
I. Financial Statements	• During the past two quarters, the FDIC resolved ten institutions using a Whole Bank Purchase and Assumption resolution transaction with an accompanying Loss Share Agreement on the assets purchased by the acquirer. Under the terms of the agreement, losses on the covered assets will be shared between the acquirer and the FDIC in its Receivership capacity. As of March 31, 2009, DIF receiverships are estimated to pay approximately \$2.8 billion over the length of these loss-share agreements (typically over 5 to 10 years) on approximately \$17.9 billion in total covered assets. The estimated liability for loss sharing is accounted for by the receiver and is considered in the determination of the DIF's allowance for loss against the corporate receivable from the resolution. As loss-share claims are asserted and proven, DIF receiverships will satisfy these loss-share payments using available liquidation funds and/or amounts due from the DIF for funding the deposits assumed by the acquirer. Through the end of the first quarter, the DIF receiverships have not made any loss-share payments.
II. Investments	• The Deposit Insurance Fund (DIF) investment portfolio's amortized cost (book value) decreased by \$2.1 billion during the first quarter of 2009, and totaled \$24.5 billion on March 31, 2009. The decline was largely the result of funding 21 failed institution resolutions during the first quarter. However, it should be noted that eight of this quarter's bank and thrift failures were resolved as "whole bank" purchase and assumption transactions (in which the acquirers purchased all or substantially all of the failed institutions' assets and the FDIC and the acquirers entered into loss-share transactions) requiring little or no initial resolution funding, thus helping to mitigate this quarter's decline in the portfolio's value. At quarter end, the DIF investment portfolio yield was 4.43 percent, down 16 basis points from its December 31, 2008, yield of 4.59 percent. The yield decline stemmed from several factors, notably the sale and maturity of generally higher yielding securities, as well as the DIF portfolio ending the quarter with a comparatively high overnight investment balance of \$1.5 billion earning an ultra-low 0.04 percent yield. The high quarter-end overnight investment balance was largely attributable to the receipt of almost \$1.1 billion in assessments on March 30, 2009.

Trends and Outlook	
Financial Results	Comments
II. Investments	• The recently established Debt Guarantee Program investment portfolio [from the guarantee fees under the Temporary Liquidity Guarantee Program (TLGP)] increased from $2.4 billion on December 31, 2008, to $6.2 billion on March 31, 2009, with all funds invested in overnight deposits. • Conventional Treasury market yields increased modestly during the first quarter of 2009, with longer-maturity Treasury securities posting the largest yield increases. Although Treasury yields remain relatively low amid continued flight-to-quality trades and in light of the weak U.S. economy, the modestly higher yields appeared to generally reflect concerns over the increasing supply of Treasury securities. During the second quarter of 2009, Treasury yields are expected to continue to trade within a range around current levels.
III. Budget	• Approximately $274.7 million was spent in the Ongoing Operations component of the 2009 Corporate Operating Budget, which was $9.5 million (3 percent) below the budget for the three months ending March 31, 2009. The Salaries and Compensation expense category was $14.9 million below the year-to-date budget, but this was partially offset by $5.5 million and $3.8 million in overspending in the Outside Services – Personnel and Equipment expense categories, respectively. • Approximately $111.8 million was spent in the Receivership Funding component of the 2009 Corporate Operating Budget, which was $130.0 million (54 percent) below the budget for the three months ending March 31, 2009, despite the fact that spending during the first quarter was 59% greater than during the previous quarter. This anomaly was attributable to the fact that a large portion of the annual budget was spread evenly throughout the year rather than being allocated on the basis of a projected trend of increasing expenses in successive months as the cumulative number of failures grows during the year. A review of the distribution of the Receivership Funding budget by month is being conducted, and a more realistic distribution of the budget by month was completed in April.

I. <u>Corporate Fund Financial Results</u> (See pages 10 - 11 for detailed data and charts.)

Deposit Insurance Fund (DIF)

- For the three months ending March 31, 2009, the DIF's comprehensive loss totaled $4.3 billion compared to comprehensive income of $430.1 million for the same period last year. The year-over-year decrease of $4.7 billion was mostly due to a $6.1 billion increase in the provision for insurance losses, a $458.3 million decrease in the unrealized gain on available-for-sale securities, and a $406.1 million decrease in interest earned on U.S. Treasury obligations; partially offset by a $2.2 billion increase in assessment revenue and a $136.3 million increase in realized gains from the sale of U.S. Treasury obligations.

- In February, the FDIC received $3.0 billion in preferred stock from Citigroup in return for providing a loss guarantee (up to $10 billion–after initial losses of $44.5 billion are taken by Citigroup and U.S. Treasury) on an asset pool of $300.8 billion of loans and securities backed by residential and commercial real estate. The preferred stock is reported in the "Preferred stock – systemic risk" line item on DIF's balance sheet. The FDIC also received the first quarterly dividend of $20.2 million from the preferred stock in February.

- For the first three months of 2009, the FDIC collected $3.8 billion in fees under the Debt Guarantee Program (DGP) and $90.0 million in fees under the Transaction Account Guarantee Program (TAGP). For the 21 failures that occurred during the first quarter of 2009, the FDIC paid $323.3 million in claims under the TAGP and recorded estimated losses of $66.5 million against this receivable.

FSLIC Resolution Fund (FRF)

- FRF paid Goodwill judgments for three cases in the aggregate amount of $142.3 million that were accrued in 2008.

II. Investments

Investment Results (See pages 12 – 13 for detailed data and charts.)

- The amortized cost (book value) of the DIF investment portfolio decreased by $2.1 billion (7.7 percent) during the first quarter of 2009, from $26.6 billion on December 31, 2008, to $24.5 billion on March 31, 2009. Similarly, the DIF portfolio's market value dropped by $2.4 billion (8.3 percent), from $28.8 billion on December 31, 2008 to $26.4 billion on March 31, 2009. Again, the declines were primarily the result of funding failed institution resolutions during the quarter.

- The DIF investment portfolio's total return for the first quarter of 2009 was 0.140 percent, approximately 46 basis points higher than its benchmark, the Merrill Lynch 1 – 10 Year U.S. Treasury Index (Index), which had a total return of -0.320 percent during the same period. The DIF portfolio's Treasury Inflation-Protected Securities (TIPS) considerably outperformed the Index's conventional Treasury securities; short-maturity TIPS market real yields declined during the quarter while conventional Treasury yields increased. Moreover, the DIF portfolio's cash balances held during the quarter helped contribute to the positive relative return. Finally, because the DIF portfolio's conventional Treasury securities have a lower average duration than the securities held in the Index, their price declines were less than those of the Index.

- During the first quarter of 2009, to help fund resolution-related cash outlays, staff sold a total of eight AFS conventional Treasury securities on four occasions; the securities had a total book value of $1.2 billion, a total market value of $1.3 billion, a weighted average maturity (WAM) of 7.90 years, a weighted average modified duration of 6.09 years, and a weighted average yield-at-cost of 4.90%. These security sales resulted in a realized gain of $136.3 million. On March 31, 2009, the DIF portfolio's overnight investment balance was $1.5 billion (about 5.8 percent of the portfolio by market value), largely reflecting the receipt of almost $1.1 billion in assessments on March 30, 2009.

Other Corporate Investment Portfolios

- The book value of the recently established Debt Guarantee Program investment portfolio increased from $2.4 billion on December 31, 2008, to $6.2 billion on March 31, 2009. The funds in this portfolio are from the guarantee fees related to the Debt Guarantee Program under the TLGP. Consistent with the approved quarterly investment strategy, all Debt Guarantee Program portfolio funds were invested in overnight investments during the quarter.

- On February 16, 2009, the FDIC collected $20.2 million in dividends on the Fixed Rate Cumulative Perpetual Preferred Stock, Series G issued by Citigroup Inc. (Citigroup Stock). Subsequently, the DIF should receive dividends of $60.5 million per quarter from the Citigroup Stock. These funds are segregated and invested separately from DIF's other cash and investments in the newly established Other Systemic Risk Reserves investment portfolio.

- On March 30, 2009, the FDIC collected about $90.0 million in fees related to the transaction account guarantee program under the TLGP. However, on March 31, 2009, all funds were transferred to the DIF portfolio for reimbursement of claims and expenses, so the newly established Transaction Account Guarantee Program investment portfolio had no balance at month end.

The Treasury Market

- During the first quarter of 2009, Treasury yields increased modestly, with longer-maturity Treasuries posting the largest yield increases. Although Treasury yields remain relatively low amid continued flight-to-quality trades and in light of the weak U.S. economy, the modestly higher yields appeared to generally reflect concerns over the increasing supply of Treasury securities. The three-month Treasury bill (T-Bill) and the six-month T-Bill yields increased by 12 basis points and 16 basis points, respectively. The yield on two-year Treasury note, which also is very sensitive to actual and anticipated changes in the federal funds rate, as well as to flight-to-quality concerns, increased by only four basis points during the first quarter. Intermediate- to longer-maturity Treasury security yields also increased, with longer-maturity Treasuries posting the largest increases. The yield on the five-year Treasury note increased by 12 basis points, while the yield on the ten-year Treasury note increased by 45 basis points. Accordingly, the conventional Treasury yield curve steepened during the first quarter of 2009; on March 31, 2009, the two- to ten-year yield curve had a 186-basis point positive spread (compared to a positive 154-basis point spread at the beginning of the quarter). Over the past five years, this spread has averaged 82 basis points.

Prospective Strategies

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

III. <u>Budget Results</u> (See pages 14 – 15 for detailed data.)

Approved Budget Modifications

The 2009 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to make certain modifications to the 2009 Corporate Operating Budget. The following budget reallocations were made during the first quarter in accordance with the authority delegated by the Board of Directors. These reallocations did not change the total 2009 Corporate Operating Budget approved by the Board:

- In January 2009, the Division of Supervision and Consumer Protection (DSC) and the Division of Information Technology (DIT) reallocated budget authority among major expense categories within their approved budgets. DSC reallocated funds within the Ongoing Operations budget component among four major expense categories to better reflect projected expenses by reducing Travel by $1,296,183, increasing Outside Services – Personnel by $1,081,431, increasing Outside Services – Other by $143,406, and increasing Other Expenses $71,346. DIT reallocated $196,198 in budget authority from the Equipment expense category to the Outside Services – Other expense category within the Receivership Funding budget component to correct the misclassification of budget authority for cell phones.

- In February 2009, the CFO approved the reallocation of budget authority within the Salaries and Compensation expense category to ensure that the awards budget in all divisions and offices, except for the Office of Inspector General, was consistent with established corporate practices. Excess funds totaling $1,749,368 were reallocated to the Corporate Unassigned budget and will be available to meet new budget requirements that emerge during the year.

- In February 2009, the CFO approved the reallocation of budget authority to provide funding for an increase in authorized staffing for DSC. Funds totaling $1,919,037 were transferred from the Corporate Unassigned budget in the Ongoing Operations component to DSC's Salaries and Compensation budget to provide funding for the additional staff.

- In February 2009, the CFO approved the reallocation of $91,456 in budget authority within the Ongoing Operations component of the 2009 Corporate Operating Budget from the Division of Finance to the Office of the Ombudsman to realign funding for approved staffing modifications.

- In March 2009, the CFO approved the reallocation of $10,131,882 in budget authority within the Receivership Funding component of the 2009 Corporate Operating Budget from the Corporate Unassigned budget to the DIT budget to support the establishment of the temporary West Coast Satellite Office. Funding was provided for additional contractor support as well as laptops and other equipment required in connection with the projected increase in failure workload. DIT's Receivership Funding budget was increased by $9,321,939 in Equipment, $512,867 in Outside Services – Personnel, and $297,076 in Outside Services – Other.

Approved Staffing Modifications

The 2009 Budget Resolution delegated to the CFO the authority to modify Authorized 2009 Staffing for divisions and offices, as long as those modifications did not increase the total approved 2009 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 February 2009, the CFO approved an increase of 26 positions (16 permanent, 10 non-permanent) in DSC's authorized 2009 staffing. Ten non-permanent positions were approved to address the increasing workload associated with the Troubled Asset Relief Program (TARP), the TLGP, and the increasing number of problem institutions. Fifteen permanent positions were approved to provide increased oversight of "systemically important" institutions and holding companies. The final permanent position was approved for an Examination Specialist to perform liaison responsibilities with the Departments of Justice and Homeland Security on critical infrastructure protection matters. A budget adjustment was made in conjunction with this approval.

- In February 2009, the CFO approved a reduction of one authorized position in the Division of Finance (DOF) based on a determination that the position was no longer essential to DOF operations. A budget adjustment was made in conjunction with this approval.

- In February 2009, the CFO approved the increase of one authorized position in the Office of the Ombudsman (OO). The additional position will allow OO to perform critical duties that it was unable to accomplish with its current authorized staff. A budget adjustment was made in conjunction with this approval.

- In March 2009, the CFO approved an increase of one authorized staff position in the Office of the Chairman for a Senior Advisor. A budget adjustment will be made in April in conjunction with this approval.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the three months ending March 31, 2009, are defined as those that either (1) exceed the YTD budget by $3.0 million and represent more than 5 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 $5 million and represent more than 10 percent of the major expense category or total division/office budget.

Significant Spending Variances by Major Expense Category

<u>Ongoing Operations</u>

There were significant spending variances in two major expense categories during the first quarter in the Ongoing Operations component of the 2009 Corporate Operating Budget:

- Outside Services – Personnel expenditures were $5.5 million, or 15 percent, more than budgeted. The variance was largely due to higher-than-projected system maintenance expenses in DIT during the first quarter. This included unbudgeted expenses associated with systems supporting the TLGP. The CIO Council will reprioritize funding for overall IT projects during the remainder of the year to stay within the IT systems development and maintenance allocation in the DIT budget. In addition, higher-than-projected expenses were incurred for IT security monitoring during the first quarter; these expenses are expected to be lower than budgeted for the rest of the year. Unbudgeted expenses were also incurred for data center costs related to the Document Management System contract. Outside counsel litigation expenses incurred by the Legal Division were slightly above budget in the first quarter.

- Equipment expenditures were $3.8 million, or 34 percent, more than budgeted. The variance was largely due to accelerated Technical Refresh purchases (budgeted to occur later in the year) and the procurement of software for laptops for new FDIC staff and contractors. Additional budget authority may be requested to cover these unbudgeted laptop software expenses.

Receivership Funding

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

There were significant spending variances in all seven major expense categories during the first quarter in the Receivership Funding component of the 2009 Corporate Operating Budget:

- Salaries & Compensation ($13.7 million, or 57 percent, less than budgeted).
- Outside Services – Personnel ($77.6 million, or 50 percent, less than budgeted).
- Travel ($10.8 million, or 73 percent, less than budgeted).
- Buildings ($5.5 million, or 37 percent, less than budgeted).
- Equipment ($6.2 million, or 49 percent, less than budgeted).
- Outside Services – Other ($5.9 million, or 84 percent, less than budgeted).
- Other Expenses ($10.2 million, or 80 percent, less than budgeted).

In all cases, these variances occurred because the Receivership Funding budget authority was generally spread evenly throughout the year, although actual expenses are expected to increase each quarter as the cumulative number of failures and the inventory of assets under management grows. Budget authority in the Receivership Funding component will be reallocated in April to more accurately reflect quarterly expense projections.

Significant Spending Variances by Division/Office[1]

Three organizations had significant spending variances through the end of the first quarter:

- The Division of Resolution and Receiverships spent $94.7 million, or 46 percent, less than budgeted. This variance was attributable to under spending in the Receivership Funding component of its operating budget for the reasons identified above.

- The Legal Division spent $20.7 million, or 43 percent, less than budgeted. Approximately $19.7 million of this variance was due to under spending in the Receivership Funding component of the division's operating budget for the reasons identified above.

- The Division of Administration spent $11.0 million, or 20 percent, less than budgeted. This variance was largely attributable to delays in building out the Boston Area Office and in relocating the New York Regional Office, delays in improvements and more favorable landlord concessions at the temporary West Coast Satellite Office, lower-than-projected expenses for bank closing security services, temporary delays in planned capital improvement projects at the Student Residence Center, and temporary delays in purchasing Furniture, Fixtures and Equipment.

Other Matters

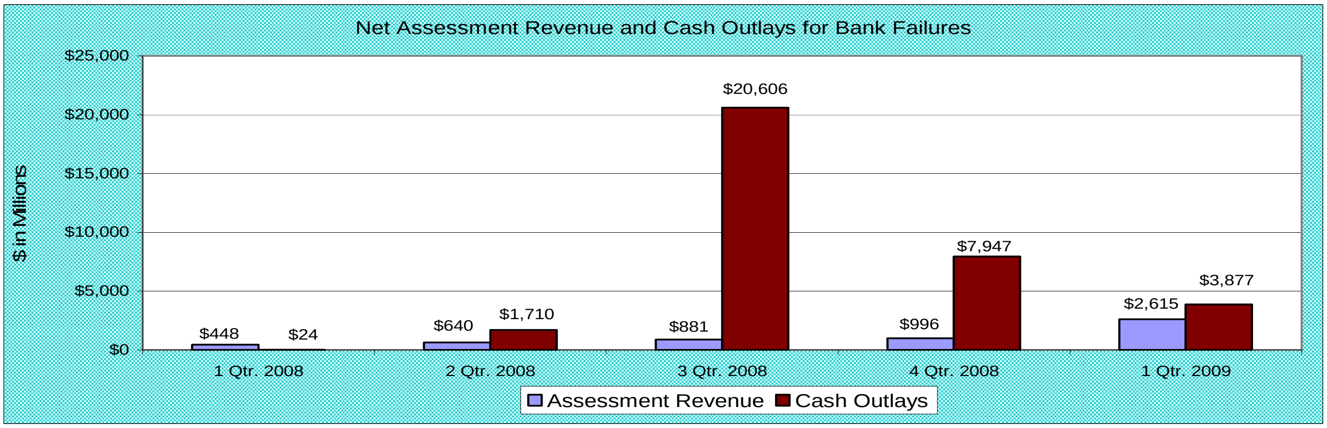
In accordance with the requirements of the 2009 Budget Resolution, an analysis of 2009 funding requirements for employee salaries and compensation was completed after the close of the first quarter. The analysis determined that those costs had been over-estimated by approximately $3.1 million during the preparation of the 2009 Corporate Operating Budget. This represents only about three-tenths of 1 percent of the 2009 Salaries and Compensation budget. Because projected supervisory and resolutions workload has risen substantially since the 2009 Corporate Operating Budget was formulated, the CFO decided not to exercise the authority delegated to him in the 2009 Board Resolution to modify the 2009 Corporate Operating Budget. The projected surplus funding will be reserved for reallocation to meet new budget requirements that emerge during 2009. Increased funding in the Salaries and Compensation expense category is expected to be needed later in the year as staff is added to address increases in supervisory and resolutions workload.

[1] Information on division/office variances reflects variances in the combined Corporate Operating and Investment Budgets as seen at the bottom of page 15.

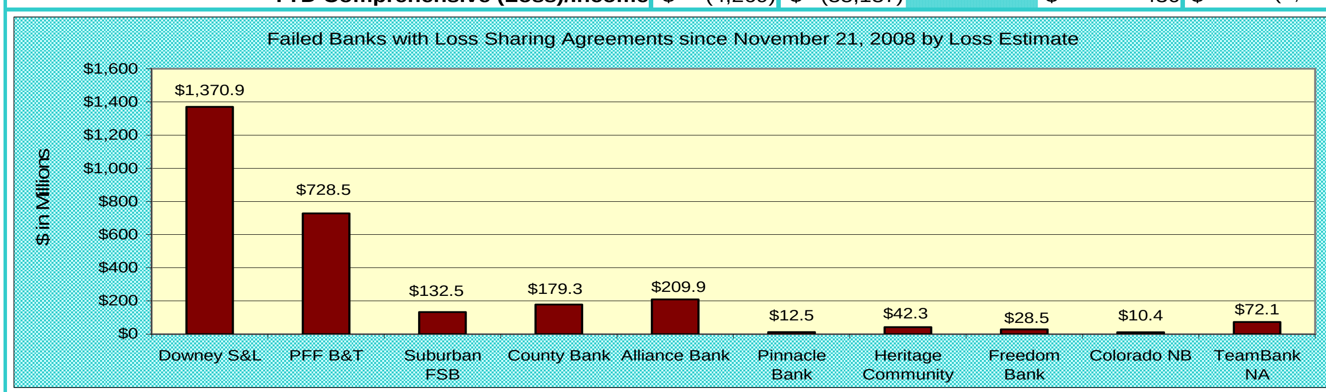
Fund Financial Results

($ in Millions)

Balance Sheet	Deposit Insurance Fund Unaudited Mar-09	Audited Dec-08	Quarterly Change	Unaudited Mar-08	Year-Over-Year Change
Cash & cash equivalents - unrestricted	$ 1,636	$ 1,011	$ 625	$ 8,080	$ (6,444)
Cash & cash equivalents - restricted - systemic risk	6,086	2,377	3,709	0	6,086
Investment in U.S. Treasury obligations, net	24,909	27,859	(2,950)	43,626	(18,717)
Preferred stock - systemic risk	3,025	0	3,025	0	3,025
Assessments receivable, net	2,550	1,018	1,532	442	2,108
Receivable, net - systemic risk	683	1,138	(455)	0	683
Interest receivable on investments and other assets, net	342	406	(64)	623	(281)
Receivables from resolutions, net	18,145	15,766	2,379	751	17,394
Property, buildings and other capitalized assets, net	372	369	3	347	25
Total Assets	$ 57,748	$ 49,944	$ 7,804	$ 53,869	$ 3,879
Accounts payable and other liabilities	754	185	569	127	627
Liabilities due to resolutions	5,420	4,672	748	0	5,420
Guarantee obligations - systemic risk	8,396	2,078	6,318	0	8,396
Postretirement benefit liability	114	114	0	116	(2)
Contingent Liabilities: future failures	28,459	23,981	4,478	583	27,876
Contingent Liabillties: systemic risk	1,398	1,438	(40)	0	1,398
Contingent Liabilities: litigation losses & other	200	200	0	200	0
Total Liabilities	$ 44,741	$ 32,668	$ 12,073	$ 1,026	$ 43,715
FYI: Unrealized gain on available-for-sale securities, net	1,919	2,250	(331)	486	1,433
FYI: Unrealized postretirement benefit gain	25	25	0	19	6
FUND BALANCE	$ 13,007	$ 17,276	$ (4,269)	$ 52,843	$ (39,836)



Income Statement	Deposit Insurance Fund Unaudited Mar-09	Audited Dec-08	Unaudited Mar-08	Year-Over-Year Change
Assessments earned	$ 2,615	$ 2,965	$ 448	$ 2,167
Systemic risk revenue	73	1,464	0	73
Interest earned on investment securities	212	2,072	618	(406)
Realized gain on sale of securities	136	775	0	136
Other revenue	2	31	1	1
Total Revenue	$ 3,038	$ 7,307	$ 1,067	$ 1,971
Operating expenses (includes depreciation expense)	266	1,033	238	28
Systemic risk expenses	73	1,464	0	73
Provision for insurance losses	6,637	41,839	525	6,112
Other expenses	0	4	1	(1)
Total Expenses & Losses	$ 6,976	$ 44,340	$ 764	$ 6,212
Net (Loss)/Income	$ (3,938)	$ (37,033)	$ 303	$ (4,241)
Unrealized gain/(loss) on available-for-sale securities, net	(331)	1,891	127	(458)
Unrealized postretirement benefit gain/(loss)	0	5	0	0
YTD Comprehensive (Loss)/Income	$ (4,269)	$ (35,137)	$ 430	$ (4,699)



Fund Financial Results - continued

($ in Millions)

Statements of Cash Flows — Deposit Insurance Fund

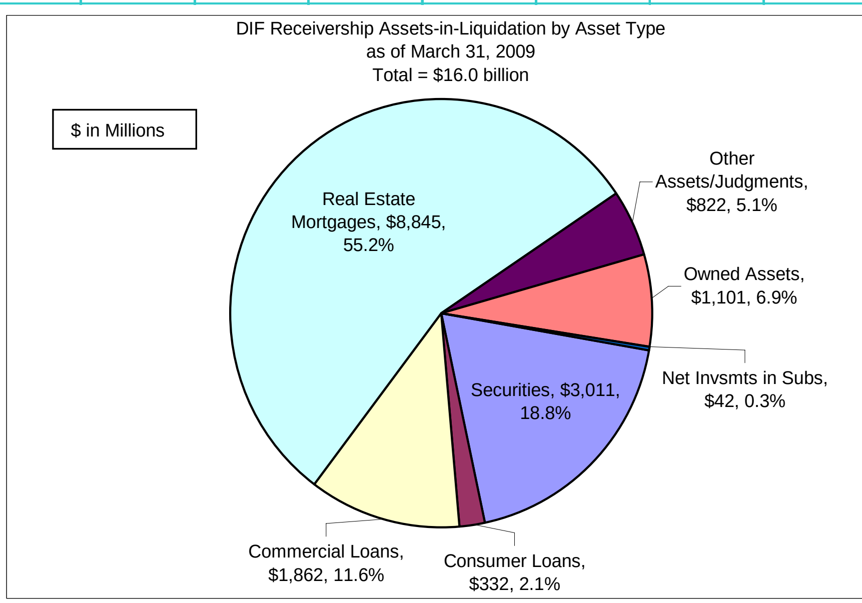
Statements of Cash Flows	Unaudited Mar-09	Audited Dec-08	Unaudited Mar-08	Year-Over-Year Change
Net (Loss)/Income	$ (3,938)	$ (37,033)	$ 303	$ (4,241)
Amortization of U.S. Treasury obligations (unrestricted)	80	457	129	(49)
TIPS Inflation Adjustment	57	(272)	(80)	137
Depreciation on property and equipment	15	55	13	2
Provision for insurance losses	6,637	41,839	525	6,112
Unrealized gain on postretirement benefits	0	5	0	0
(Gain) on sale of UST obligations	(136)	(775)	0	(136)
Systemic risk expenses	32	(2)	0	32
Net change in operating assets and liabilities	(1,031)	(26,336)	(94)	(937)
Net Cash Provided by (Used by) Operating Activities	$ 1,716	$ (22,062)	$ 796	$ 920
Investments matured and sold	2,619	21,209	3,039	(420)
Investments purchased (includes purchase of property and equipment)	(2)	(4)	0	(2)
Net Cash Provided by (Used by) Investing Activities	$ 2,617	$ 21,205	$ 3,039	$ (422)
Net Increase (Decrease) in Cash and Cash Equivalents	4,334	(857)	3,835	499
Cash and Cash Equivalents at beginning of year	3,388	4,245	4,245	(857)
Unrestricted Cash and Cash Equivalents - Ending	1,636	1,011	8,080	(6,444)
Restricted Cash and Cash Equivalents - Ending	6,086	2,377	0	6,086
Cash and Cash Equivalents - Ending	$ 7,722	$ 3,388	$ 8,080	$ (358)

Selected Financial Data — FSLIC Resolution Fund

Selected Financial Data	Unaudited Mar-09	Audited Dec-08	Quarterly Change	Unaudited Mar-08	Year-Over-Year Change
Cash and cash equivalents	$ 3,467	$ 3,467	$ 0	$ 3,415	$ 52
Accumulated deficit, net	(123,944)	(123,948)	4	(123,825)	(119)
Resolution equity	3,498	3,494	4	3,444	54
Total revenue	$ 5	$ 63		$ 23	$ (18)
Operating expenses	1	3		1	0
Goodwill/Guarini litigation expenses	0	254		77	(77)
Net Income/(Loss)	$ 4	$ (178)		$ (55)	$ 59

Receivership Selected Statistics March 2009 vs. March 2008

	DIF			FRF			ALL FUNDS		
Year-to-Date ($ in millions)	Mar-09	Mar-08	*Change*	Mar-09	Mar-08	*Change*	Mar-09	Mar-08	*Change*
Total Receiverships	61	23	38	8	11	(3)	69	34	35
Assets in Liquidation	$ 16,061	$ 821	15,240	$ 34	$ 32	2	$ 16,095	$ 853	15,242
Collections	$ 1,614	$ 48	1,566	$ 4	$ 1	3	$ 1,618	$ 49	1,569
Dividends Paid	$ 3,838	$ 58	3,780	$ -	$ 1	(1)	$ 3,838	$ 59	3,779



Deposit Insurance Fund Portfolio Summary (Dollar Values in Millions)			
	3/31/09	12/31/08	Change
Par Value	$23,719	$25,496	($1,777)
Amortized Cost	$24,522	$26,580	($2,058)
Market Value	$26,440	$28,830	($2,390)
Primary Reserve [1]	$26,772	$29,227	($2,455)
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Year-to-Date Total Return (Portfolio)	0.140%	8.550%	not applicable
Year-to-Date Total Return (Benchmark) [2]	(0.320%)	11.334%	not applicable
Total Return Variance (in basis points)	46.0	(278.4)	not applicable
Yield-to-Maturity [3]	4.43%	4.59%	(0.16%)
Weighted Average Maturity (in years)	2.95	3.34	(0.39)
Effective Duration (in years) [4]			
Total Portfolio	2.55	2.85	(0.30)
Available-for-Sale Securities	2.70	2.94	(0.24)
Held-to-Maturity Securities [5]	not applicable	not applicable	

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

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

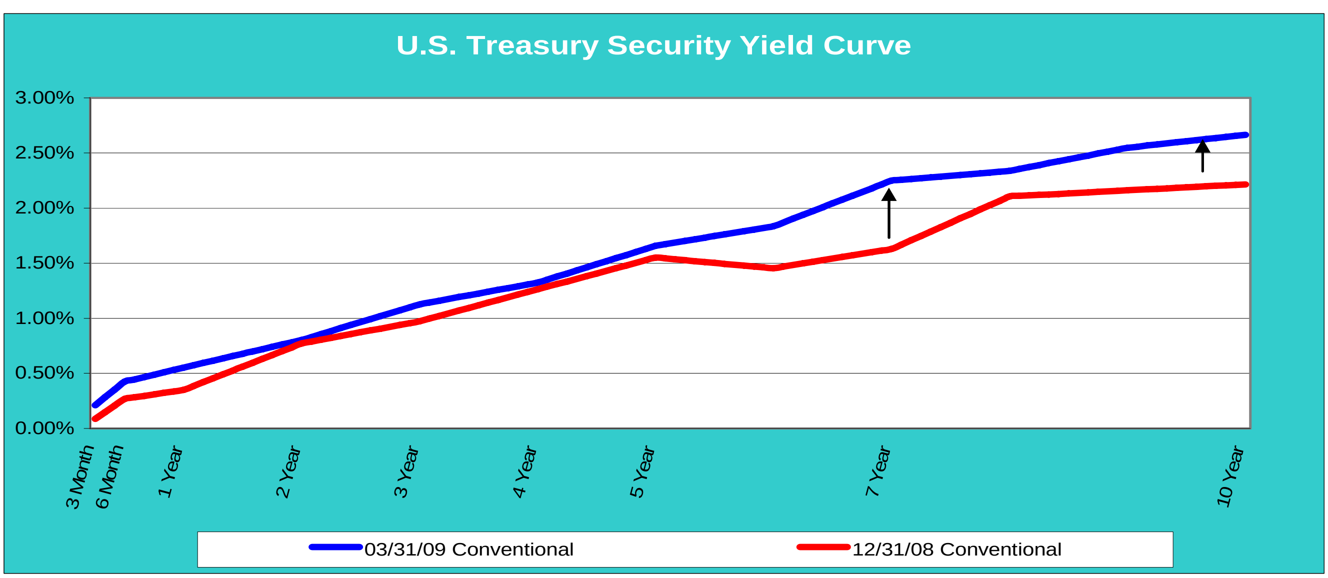
[3] The Yield-to-Maturity includes the potential yield of Treasury Inflation-Protected Securities (TIPS), which assumes an average 2.2% annual increase in the CPI over the remaining life of each TIPS.

[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 posititive intent and ability to hold its HTM securities until their maturity dates.

National Liquidation Fund (NLF) Investment Portfolio Summary (Dollar Values in Millions)			
	3/31/09	12/31/08	Change
Book Value [6]	$5,674	$3,447	$2,227
Yield-to-Maturity	0.67%	1.21%	(0.54%)
Weighted Average Maturity (in days)	34	23	11

[6] 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 1st Quarter 2009

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

Strategy Changes for 2nd Quarter 2009

No changes in strategy.

DEBT GUARANTEE PROGRAM

OTHER GUARANTEE SYSTEMIC RISK RESERVES

Strategy as of 1st Quarter 2009

For the Debt Guarantee Program portfolio, strategically invest all available funds in overnight investments and/or in conventional or callable Treasury securities with effective maturity dates not to exceed June 30, 2012. (Other Systemic Risk Reserves were invested solely in overnight investments.)

Strategy Changes for 2nd Quarter 2009

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

NATIONAL LIQUIDATION FUND

Strategy as of 1st Quarter 2009

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 2nd Quarter 2009

Maintain an overnight deposit balance within a target range of $15 million to $25 million.

Executive Summary of 2009 Budget and Expenditures
by Major Expense Category
Through March 31, 2009
(Dollars in Thousands)

Major Expense Category	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Ongoing Operations				
Salaries & Compensation	$194,808	$179,903	92%	($14,905)
Outside Services - Personnel	37,056	42,521	115%	5,465
Travel	16,836	16,593	99%	(243)
Buildings	15,544	13,634	88%	(1,910)
Equipment	11,091	14,912	134%	3,821
Outside Services - Other	5,420	4,860	90%	(560)
Other Expenses	3,406	2,240	66%	(1,166)
Total Ongoing Operations	**$284,161**	**$274,663**	**97%**	**($9,498)**
Receivership Funding				
Salaries & Compensation	$24,020	$10,292	43%	($13,728)
Outside Services - Personnel	155,823	78,195	50%	(77,628)
Travel	14,750	3,911	27%	(10,839)
Buildings	14,791	9,272	63%	(5,519)
Equipment	12,766	6,536	51%	(6,230)
Outside Services - Other	6,984	1,112	16%	(5,872)
Other Expenses	12,661	2,499	20%	(10,162)
Total Receivership Funding	**$241,795**	**$111,817**	**46%**	**($129,978)**
Total Corporate Operating Budget	**$525,956**	**$386,480**	**73%**	**($139,476)**
Investment Budget [1]	**$1,874**	**$1,326**	**71%**	**($548)**
Grand Total	**$527,830**	**$387,806**	**73%**	**($140,024)**

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

Executive Summary of 2009 Budget and Expenditures by Budget Component and Division/Office Through March 31, 2009 (Dollars in Thousands)				
Division/Office	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Supervision & Consumer Protection	$119,104	$107,714	90%	($11,390)
Information Technology	55,919	57,426	103%	1,507
Administration	55,676	44,635	80%	(11,041)
Resolutions & Receiverships	206,133	111,463	54%	(94,670)
Legal	48,527	27,788	57%	(20,739)
Insurance & Research	8,931	8,286	93%	(645)
Finance	8,054	6,670	83%	(1,384)
Inspector General	6,859	5,911	86%	(948)
Corporate University	8,321	9,654	116%	1,333
Executive Support [1]	6,443	5,176	80%	(1,267)
Executive Offices [2]	1,989	1,757	88%	(232)
Total, Corporate Operating Budget	**$525,956**	**$386,480**	**73%**	**($139,476)**
Investment Budget [3]				
Information Technology	$1,714	$1,195	70%	($519)
Resolutions & Receiverships	102	76	75%	(26)
Insurance & Research	58	55	95%	(3)
Total, Investment Budget [3]	**$1,874**	**$1,326**	**71%**	**($548)**
Combined Division/Office Budgets				
Supervision & Consumer Protection	$119,104	$107,714	90%	($11,390)
Information Technology	57,633	58,621	102%	988
Administration	55,676	44,635	80%	(11,041)
Resolutions & Receiverships	206,235	111,539	54%	(94,696)
Legal	48,527	27,788	57%	(20,739)
Insurance & Research	8,989	8,341	93%	(648)
Finance	8,054	6,670	83%	(1,384)
Inspector General	6,859	5,911	86%	(948)
Corporate University	8,321	9,654	116%	1,333
Executive Support [1]	6,443	5,176	80%	(1,267)
Executive Offices [2]	1,989	1,757	88%	(232)
Grand Total	**$527,830**	**$387,806**	**73%**	**($140,024)**

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 2009 spending estimates for approved projects.