FDIC

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

May 17, 2011

MEMORANDUM TO: The Board of Directors

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

Craig Jarvill
Acting Director, Division of Finance

SUBJECT: First Quarter 2011 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the quarter ending March 31, 2011.

**Executive Summary**

- For the first quarter of 2011, the Deposit Insurance Fund (DIF) balance increased by $6.3 billion to negative $1.0 billion. This increase was primarily due to $3.5 billion in assessments earned and a negative $3.1 billion provision for insurance losses, offset by $395 million in operating expenses. The fund balance has increased in each of the last five consecutive quarters and has risen by a total of $19.8 billion during that time.

- During the first quarter of 2011, the FDIC was named receiver for 26 failed institutions. The combined assets at inception for these institutions totaled approximately $10.3 billion with a total estimated loss of $1.9 billion. The corporate cash outlay during the first quarter for these failures was approximately $2.6 billion.

- Through March 31, 2011, overall Corporate Operating Budget expenditures were below budget by 22 percent ($199 million). This variance was primarily the result of lower spending for contractual services and shorter than expected operations at receivership locations in the Receivership Funding component.

## I. **<u>Corporate Fund Financial Results</u>** (See pages 7 - 8 for detailed data and charts.)

### Deposit Insurance Fund (DIF)

- For the three months ending March 31, 2011, the DIF's comprehensive income totaled $6.3 billion compared to comprehensive income of $145 million for the same period last year. This $6.2 billion increase was mostly due to a $6.1 billion decrease in the provision for insurance losses and a $206 million increase in assessment revenue, partially offset by a $50 million increase in operating expenses and a $131 million decrease in unrealized gains on trust preferred securities.

- During the first quarter 2011, the DIF recognized $3.5 billion in estimated assessment revenue for first quarter 2011 insurance coverage, which includes non-interest bearing transaction accounts that received coverage under the Dodd-Frank Act for two years beginning December 31, 2010.

- Additionally, on March 30, the FDIC collected $206 million in deposit insurance DIF assessments and $52 million in Transaction Account Guarantee (TAG) Program fees for fourth quarter 2010 insurance coverage (fees are collected one quarter in arrears). This quarter is the last time that the FDIC will collect fees under the TAG Program, which expired on December 31, 2010. Since the inception of the TAG Program, the FDIC collected TAG fees totaling $1.2 billion.

- The provision for insurance losses was negative $3.1 billion for the first quarter of 2011. The negative provision resulted from: a $1.4 billion reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail; a $1.0 billion reduction in the estimated losses for banks that failed in 2010 where recent liquidation activity yielded recoveries higher than previously estimated; and a $600 million adjustment for lower-than-anticipated loss estimates at time of failure for banks that failed in the current quarter.

## **<u>II. Investment Results</u>** (See pages 9 - 10 for detailed data and charts.)

### DIF Investment Portfolio

- The total liquidity (total market value including accrued interest) of all DIF-related investment portfolios stood at $45.5 billion on March 31, 2011, down from $46.2 billion on December 31, 2010, led by the decline in the DIF investment portfolio as discussed below.

- The DIF investment portfolio's total market value decreased by $1.0 billion during the first quarter of 2011, and totaled $38.5 billion on March 31, 2011. The decrease was primarily the result of funding 26 bank failures during the first quarter of 2011. Moreover, during the first quarter of 2011, the DIF received $3.3 billion in dividends and other payments from its receiverships, thus mitigating the DIF portfolio's decline.

- On March 31, 2011, the DIF investment portfolio's yield was 0.28 percent, down 12 basis points from its December 31, 2010, yield of 0.40 percent. A primary factor in this decline was that $1.4 billion in relatively high-yielding Treasury Inflation-Protected Securities with a weighted average yield of 4.17 percent matured during the period. The DIF investment portfolio's total return for the first quarter of 2011 was about 0.10 percent, 11 basis points higher than the -0.01 percent total return of its benchmark, the Merrill Lynch 1-10 Year Treasury Index (Index). Given that most longer-maturity Treasury yields increased (that is, Treasury security prices fell) over the first quarter, the DIF portfolio's large balances of comparatively low yielding overnight investments did not experience a price decline, hence the outperformance compared to the Index (the Index has longer-duration conventional Treasury securities).

- In accordance with the approved first quarter 2011 investment strategy, staff purchased a total of seven short-maturity Treasury securities on two occasions during the first quarter of 2011. The seven securities had a total par value of $8.1 billion, a weighted average yield-to-maturity of 0.68 percent, and a weighted average maturity (WAM) of 1.68 years.

**Other Corporate Investment Portfolios**

- On March 31, 2011, the Debt Guarantee Program (DGP) investment portfolio stood at $7.0 billion (total market value), up about 5 percent from its December 31, 2010 balance of $6.6 billion. This increase was principally due to the net transfer of a little over $300 million from the DIF portfolio to the DGP portfolio, reversing payments made by the DGP to the DIF for TAG claims. At quarter end, the DGP portfolio had a yield to maturity of 0.20 percent and a WAM of 0.38 years. In accordance with the approved first quarter 2011 investment strategy for the DGP portfolio, staff purchased four short-maturity Treasury securities during the first quarter of 2011. The securities had a total par value of $1.2 billion, a weighted average yield-to-maturity of 0.75 percent, and a WAM of 1.79 years.

## III. <u>Budget Results</u> (See pages 11 - 12 for detailed data.)

**Approved Budget Modifications**

The 2011 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to make certain modifications to the 2011 Corporate Operating Budget. The following budget reallocations were made during the first quarter in accordance with the authority delegated by the Board of Directors. None of these modifications changed the total 2011 Corporate Operating Budget as approved by the Board in December 2010 (and amended by the Board in January 2011):

- In January 2011, the Division of Risk Management Supervision (RMS), the Division of Depositor and Consumer Protection (DCP), the Division of Resolutions and Receiverships (DRR), the Division of Insurance and Research (DIR), and the Division of Administration (DOA) reallocated budget authority among major expense categories within their approved Ongoing Operations budgets. RMS and DCP realigned $1.0 million and $0.2 million, respectively, from the Travel expense category to various other expense categories.

- In February 2011, the CFO approved a $3 million increase in the Outside Services – Other expense category of the Ongoing Operations budget for the Office of Public Affairs (OPA), with a corresponding decrease in the Corporate Unassigned budget to fund a public awareness campaign on bank overdraft programs.

- In February 2011, in conjunction with the recently revised Home Mortgage Disclosure Act (HMDA) validation procedures, the CFO approved the reallocation of $3,562,986 in budget authority from the Corporate Unassigned budget to DCP's Ongoing Operations budget component. This adjustment increased DCP's budget authority in the Salaries and Compensation (+$3,043,878), Travel (+$507,169), and Other Expenses (+$11,939) categories.

- In March 2011, the CFO approved the reallocation of $137,593 within the Ongoing Operations component of the 2011 Corporate Operating Budget from the Other Expenses category of the DCP budget to RMS to provide additional budget authority in the Travel (+$12,573) and Other Expenses (+$125,020) categories to support the National Minority Depository Institutions conference, which will be conducted by RMS.

- In March 2011, the CFO approved the reallocation of $616,067 within the Ongoing Operations component from the Corporate Unassigned budget to the Salary and Compensation (+$613,192) and Other Expenses (+$2,875) categories in the Division of Information Technology (DIT) to provide funding for an increase of five positions in DIT's authorized 2011 staffing.

- In March 2011, the CFO approved the reallocation of $1,265,600 within the Ongoing Operations budget component from the Corporate Unassigned and Executive Office budgets to DCP to fund ten newly authorized positions and transfer one staff member. This adjustment included funding for Salaries and Compensation (+$1,167,286), Travel (+$92,770), and Other Expenses (+$5,544).

Following these budget reallocations, the amounts remaining available within the Corporate Unassigned budgets for the Ongoing Operations and Receivership Funding budget components were $16,141,960 and $16,350,002, respectively.

**Approved Staffing Modifications**

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

- In February 2011, the CFO approved an increase of 54 authorized positions in DCP to add 17 non-permanent HMDA validation specialists and 37 permanent compliance examiners. This increase brings the total authorized field examiners up to the full requirements estimated by the examiner staffing model for 2011.

- In March 2011, the CFO approved an increase of ten authorized positions (eight permanent, two non-permanent) in DCP's regional offices. The approved increase included six Assistant Regional Directors (ARDs) to address the increased workload of the current ARDs; two Fair Lending Examination Specialist (FLEX) positions, and two non-permanent Unfair and Deceptive Acts and Practices (UDAP) Specialist positions.

- In March 2011, the CFO approved an increase of five authorized positions (four permanent, one non-permanent) in DIT in conjunction with a reorganization within its Infrastructure Services Branch (ISB).

- In March 2011, one position was transferred from the Executive Offices to DCP. This authorized position will assist with duties that have been transferred to DCP.

## 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, 2011, are defined as those that either (1) exceed the YTD budget by $3 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 represents more than 10 percent of the major expense category or total division/office budget.

## Significant Spending Variances by Major Expense Category

### Ongoing Operations

There were no major expense categories in which a significant spending variance occurred during the first quarter in the Ongoing Operations component of the Corporate Operating Budget.

### Receivership Funding

The Receivership Funding component of the 2011 Corporate Operating Budget includes funding for expenses 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 three of the seven major expense categories during the first quarter in the Receivership Funding component of the 2011 Corporate Operating Budget:

- Outside Services-Personnel ($103 million or 31 percent, less than budgeted)

- Buildings ($35 million or 57 percent, less than budgeted)

- Other Expenses ($24 million or 53 percent, less than budgeted)

The variance in the Outside Services – Personnel expense category was attributable to lower-than-budgeted costs during the first quarter of 2011 due to less costly resolutions and lower than anticipated asset management and marketing costs through March, including Receivership Assistance Contracts, loan servicing, loss share, and investigations. Lower spending occurred in the Buildings category as a result of shorter than expected operations at receivership locations and the lower number of field sites in operation. The variance in the Other Expenses category was attributable to lower-than-anticipated time required to facilitate the transfer of banking operations and the disposition of failed banks' assets.

### Significant Spending Variances by Division/Office[1]

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

- DRR spent $167 million, or 34 percent, less than budgeted, mostly due to less-than-budgeted spending for resolution and receivership workload activities for the reasons mentioned above.

- DIT spent $8 million, or 16 percent, less than budgeted. This variance was largely the result of equipment expenses that were $6 million lower than budget due to timing associated with laptop purchases. The variance will decrease substantially once the laptops have been received and invoiced.

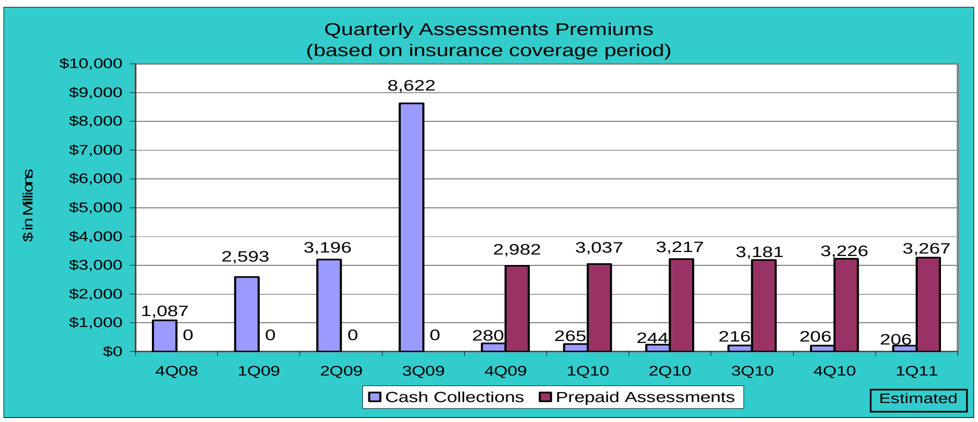
- The CIO Council spent $4 million, or 41 percent, more than budgeted. This variance reflects a decision by the Corporation to fund projects for 2011 that have a total estimated cost in excess of the CIO Council budget, because unexpected project delays have consistently caused under-spending of the CIO Council budget in prior years. If it appears later in the year that full-year CIO Council expenses will exceed the budget, additional funding will be allocated from the Corporate Unassigned reserve. Additionally, unbudgeted IT support for the implementation of Dodd-Frank contributed to the variance. The CIO Council expects to reallocate its existing funds or request additional funding at mid-year to cover any shortfall.

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

## Fund Financial Results

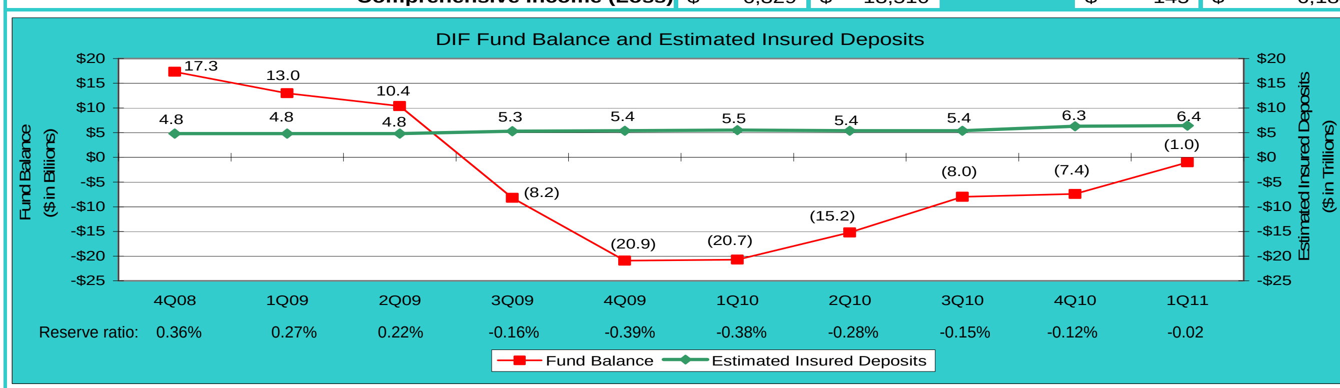
*($ in Millions)*

| **Balance Sheet** | Deposit Insurance Fund | | | | |
|---|---|---|---|---|---|
| | Unaudited Mar-11 | Audited Dec-10 | Quarterly Change | Unaudited Mar-10 | Year-Over-Year Change |
| Cash and cash equivalents | $ 23,496 | $ 27,077 | $ (3,581) | $ 41,094 | $ (17,598) |
| Cash and investments - restricted - systemic risk | 6,996 | 6,647 | 349 | 6,077 | 919 |
| Investment in U.S. Treasury obligations, net | 14,894 | 12,371 | 2,523 | 15,792 | (898) |
| Trust preferred securities | 2,345 | 2,298 | 47 | 2,140 | 205 |
| Assessments receivable, net | 206 | 218 | (12) | 268 | (62) |
| Receivables and other assets - systemic risk | 2,243 | 2,269 | (26) | 3,165 | (922) |
| Interest receivable on investments and other assets, net | 264 | 260 | 4 | 134 | 130 |
| Receivables from resolutions, net | 29,748 | 29,533 | 215 | 39,091 | (9,343) |
| Property and equipment, net | 407 | 416 | (9) | 386 | 21 |
| **Total Assets** | $ 80,599 | $ 81,089 | $ (490) | $ 108,147 | $ (27,548) |
| Accounts payable and other liabilities | 480 | 514 | (34) | 351 | 129 |
| Unearned revenue - prepaid assessments | 26,766 | 30,057 | (3,291) | 39,718 | (12,952) |
| Liabilities due to resolutions | 30,883 | 30,512 | 371 | 38,362 | (7,479) |
| Deferred revenue - systemic risk | 9,088 | 9,055 | 33 | 7,999 | 1,089 |
| Postretirement benefit liability | 166 | 166 | - | 145 | 21 |
| Contingent liability for anticipated failures | 13,788 | 17,688 | (3,900) | 40,720 | (26,932) |
| Contingent liabillty for systemic risk | 151 | 149 | 2 | 1,269 | (1,118) |
| Contingent liability for litigation losses | 300 | 300 | - | 300 | - |
| **Total Liabilities** | $ 81,622 | $ 88,441 | $ (6,819) | $ 128,864 | $ (47,242) |
| FYI: Unrealized gain (loss) on U.S. Treasury investments, net | 37 | 27 | 10 | 113 | (76) |
| FYI: Unrealized gain (loss) on trust preferred securities | 383 | 336 | 47 | (178) | 561 |
| FYI: Unrealized postretirement benefit gain (loss) | (19) | (19) | - | (3) | (16) |
| **Fund Balance** | $ (1,023) | $ (7,352) | $ 6,329 | $ (20,717) | $ 19,694 |




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

| **Income Statement** (year-to-date) | Deposit Insurance Fund | | | |
|---|---|---|---|---|
| | Unaudited Mar-11 | Audited Dec-10 | Unaudited Mar-10 | Year-Over-Year Change |
| Assessments earned | $ 3,484 | $ 13,610 | $ 3,278 | $ 206 |
| Systemic risk revenue | 5 | (673) | 49 | (44) |
| Interest on U.S. Treasury obligations | 28 | 205 | 62 | (34) |
| Other revenue | 66 | 238 | 23 | 43 |
| **Total Revenue** | $ 3,583 | $ 13,380 | $ 3,412 | $ 171 |
| Operating expenses | 395 | 1,593 | 345 | 50 |
| Systemic risk expenses | 5 | (673) | 49 | (44) |
| Provision for insurance losses | (3,089) | (848) | 3,021 | (6,110) |
| Insurance and other expenses | - | 3 | 1 | (1) |
| **Total Expenses and Losses** | $ (2,689) | $ 75 | $ 3,416 | $ (6,105) |
| **Net Income (Loss)** | 6,272 | 13,305 | (4) | 6,276 |
| Unrealized gain (loss) on U.S. Treasury investments, net | 10 | (115) | (29) | 39 |
| Unrealized gain (loss) on trust preferred securities | 47 | 336 | 178 | (131) |
| Unrealized postretirement benefit gain (loss) | - | (16) | - | - |
| **Comprehensive Income (Loss)** | $ 6,329 | $ 13,510 | $ 145 | $ 6,184 |



## Fund Financial Results - continued

*($ in Millions)*

**Statement of Cash Flows** (year-to-date)

| | Deposit Insurance Fund | | | |
|---|---|---|---|---|
| | Unaudited Mar-11 | Audited Dec-10 | Unaudited Mar-10 | Year-Over-Year Change |
| **Net Income (Loss)** | $ 6,272 | $ 13,305 | $ (4) | $ 6,276 |
| Amortization of U.S. Treasury obligations | 14 | (5) | 3 | 11 |
| Treasury inflation-protected securities inflation adjustment | (5) | (23) | (4) | (1) |
| Depreciation on property and equipment | 18 | 69 | 18 | - |
| Loss on retirement of property and equipment | - | 1 | - | - |
| Provision for insurance losses | (3,089) | (848) | 3,021 | (6,110) |
| Unrealized (loss) gain on postretirement benefits | - | (16) | - | - |
| Change in Operating Assets and Liabilities | (3,919) | (32,217) | (4,656) | 737 |
| **Net Cash Provided by (Used by) Operating Activities** | $ (709) | $ (19,734) | $ (1,622) | $ 913 |
| Maturity of U.S. Treasury obligations | 6,276 | 21,558 | 1,355 | 4,921 |
| Purchase of property and equipment | (8) | (97) | - | (8) |
| Purchase of U.S. Treasury obligations | (9,416) | (30,143) | (13,085) | 3,669 |
| **Net Cash Provided by (Used by) Investing Activities** | $ (3,148) | $ (8,682) | $ (11,730) | $ 8,582 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3,857) | (28,416) | (13,352) | 9,495 |
| Cash and Cash Equivalents - Beginning | 32,107 | 60,523 | 60,523 | (28,416) |
| Unrestricted Cash and Cash Equivalents - Ending | 23,496 | 27,077 | 41,094 | (17,598) |
| Restricted Cash and Cash Equivalents - Ending | 4,754 | 5,030 | 6,077 | (1,323) |
| **Cash and Cash Equivalents - Ending** | $ 28,250 | $ 32,107 | $ 47,171 | $ (18,921) |

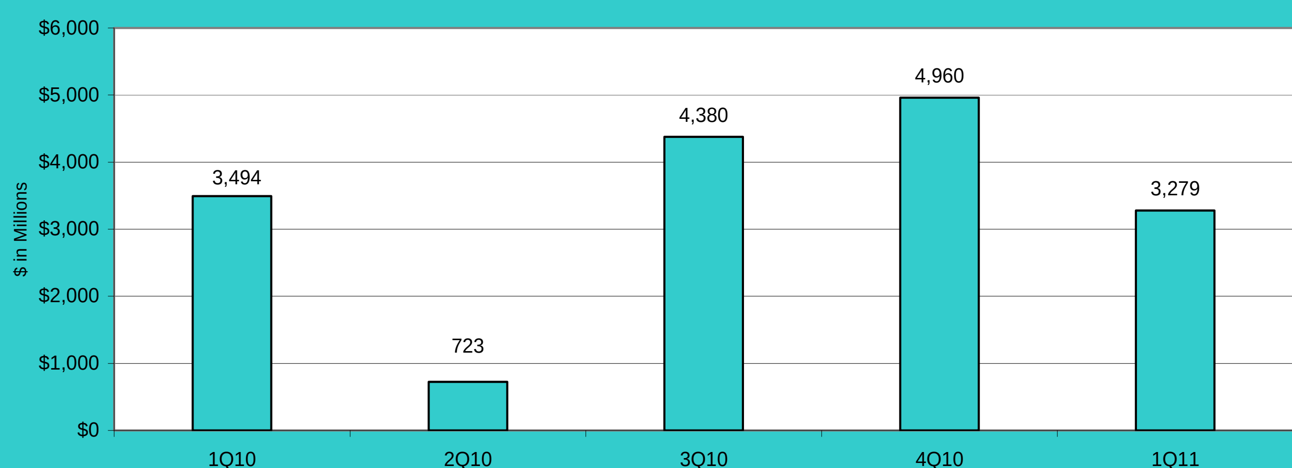
**Selected Financial Data**

| | FSLIC Resolution Fund | | | | |
|---|---|---|---|---|---|
| | Unaudited Mar-11 | Audited Dec-10 | Quarterly Change | Unaudited Mar-10 | Year-Over-Year Change |
| Cash and cash equivalents | $ 3,548 | $ 3,548 | $ - | $ 3,476 | $ 72 |
| Accumulated deficit | (124,224) | (124,224) | - | (124,328) | 104 |
| Total resolution equity | 3,568 | 3,568 | - | 3,520 | 48 |
| Total revenue | 2 | 13 | | 6 | (4) |
| Operating expenses | 2 | 4 | | 1 | 1 |
| Goodwill litigation expenses | - | (53) | | - | - |
| Recovery of tax benefits | - | (63) | | (15) | 15 |
| **Net Income (Loss)** | $ - | $ 124 | | $ 20 | $ (20) |

**Receivership Selected Statistics March 2011 vs. March 2010**

| | DIF | | | FRF | | | ALL FUNDS | | |
|---|---|---|---|---|---|---|---|---|---|
| | Mar-11 | Mar-10 | *Change* | Mar-11 | Mar-10 | *Change* | Mar-11 | Mar-10 | *Change* |
| Total Receiverships | 362 | 220 | 142 | 8 | 8 | - | 370 | 228 | 142 |
| Assets in Liquidation | $ 26,476 | $ 36,843 | $(10,367) | $ 25 | $ 29 | $ (4) | $ 26,501 | $ 36,872 | $(10,371) |
| YTD Collections | $ 2,276 | $ 7,285 | $ (5,009) | $ 1 | $ 8 | $ (7) | $ 2,277 | $ 7,293 | $ (5,016) |
| YTD Dividend/Other Pymts - Cash | $ 3,279 | $ 3,494 | $ (215) | $ - | $ - | $ - | $ 3,279 | $ 3,494 | $ (215) |

Since the first quarter of 2010, receiverships have paid $16.8 billion in cash dividends and other payments to the DIF.



## Deposit Insurance Fund Portfolio Summary
(Dollar Values in Millions)

| | 3/31/11 | 12/31/10 | Change |
|---|---|---|---|
| Par Value | $38,291 | $39,430 | ($1,139) |
| Amortized Cost | $38,428 | $39,483 | ($1,055) |
| Total Market Value (including accrued interest) | $38,518 | $39,550 | ($1,032) |
| Primary Reserve [1] | $38,518 | $39,550 | ($1,032) |
| Primary Reserve % of Total Portfolio | 100.0% | 100.0% | 0.0% |
| Year-to-Date Total Return (Portfolio) | 0.102% | 0.196% | not applicable |
| Year-to-Date Total Return (Benchmark) [2] | (0.008%) | 5.219% | not applicable |
| Total Return Variance (in basis points) | 11.0 | (502.3) | not applicable |
| Yield-to-Maturity [3] | 0.28% | 0.40% | (0.12%) |
| Weighted Average Maturity (in years) | 0.44 | 0.16 | 0.28 |
| Effective Duration (in years) [4] | | | |
| Total Portfolio | 0.43 | 0.15 | 0.28 |
| Available-for-Sale Securities | 1.11 | 0.46 | 0.65 |
| 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 percent 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)

| | 3/31/11 | 12/31/10 | Change |
|---|---|---|---|
| *Debt Guarantee Program* | | | |
| Par Value | $6,954 | $6,630 | $324 |
| Book Value | $6,984 | $6,646 | $338 |
| Total Market Value (including accrued interest) | $6,996 | $6,647 | $349 |
| Yield-to-Maturity | 0.20% | 0.10% | 0.10% |
| Weighted Average Maturity | 0.38 | 0.14 | 0.24 |
| *FRF-FSLIC* | | | |
| Book Value [6] | $3,398 | $3,397 | $1 |
| Yield-to-Maturity | 0.03% | 0.05% | (0.02%) |
| Weighted Average Maturity | overnight | overnight | no change |

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

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

| | 3/31/11 | 12/31/10 | Change |
|---|---|---|---|
| Book Value [7] | $15,496 | $17,506 | ($2,010) |
| Effective Annual Yield | 0.12% | 0.13% | (0.01%) |
| Weighted Average Maturity (in days) | 23 | 6 | 17 |

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

## Investment Strategies

| | |
|---|---|
| **DEPOSIT INSURANCE FUND** | **1st Quarter 2011 Strategy**<br><br>Purchase up to $20 billion (par value) of available-for-sale (AFS) securities with maturity dates between April 1, 2011, and December 31, 2013, subject to the following additional restrictions: no more than $15 billion (par value) of such securities shall have maturity dates beyond September 30, 2011; and no more than $10 billion (par value) of such securities shall have maturity dates beyond March 31, 2012. |
| | **Strategy Changes for 2nd Quarter 2011** |
| | Purchase up to $20 billion (par value) of available-for-sale (AFS) securities with maturity dates between September 30, 2011, and March 31, 2014, subject to the following additional restrictions: no more than $15 billion (par value) of such securities shall have maturity dates beyond March 31, 2012; and no more than $10 billion (par value) of such securities shall have maturity dates beyond March 31, 2013. |
| **DEBT GUARANTEE PROGRAM** | **1st Quarter 2011 Strategy**<br><br>Purchase up to $3 billion (par value) of AFS securities with maturity dates between April 1, 2011, and December 31, 2013. |
| | **Strategy Changes for 2nd Quarter 2011** |
| | Purchase up to $3 billion (par value) of AFS securities with maturity dates between September 30, 2011, and March 31, 2014. |
| **NATIONAL LIQUIDATION FUND** | **1st Quarter 2011 Strategy**<br><br>Maintain an overnight deposit target floor balance within a range of $100 million to $300 million.<br>Strategically invest the remaining funds in the zero- to 12-month maturity sector. |
| | **Strategy Changes for 2nd Quarter 2011** |
| | Maintain an overnight deposit target floor balance within a range of $100 million to $300 million.<br>Strategically invest the remaining funds in the zero- to 12-month maturity sector. |

| Executive Summary of 2011 Budget and Expenditures<br>by Major Expense Category<br>Through March 31, 2011<br>(Dollars in Thousands) | | | | |
|---|---|---|---|---|
| Major Expense Category | YTD Budget | YTD Expenditures | % of Budget Used | Variance |
| **Corporate Operating Budget** | | | | |
| ***Ongoing Operations*** | | | | |
| Salaries & Compensation | $248,433 | $234,899 | 95% | ($13,534) |
| Outside Services - Personnel | 52,583 | 48,354 | 92% | (4,229) |
| Travel | 22,593 | 22,148 | 98% | (445) |
| Buildings | 17,756 | 16,896 | 95% | (860) |
| Equipment | 17,032 | 12,875 | 76% | (4,157) |
| Outside Services - Other | 4,886 | 3,182 | 65% | (1,704) |
| Other Expenses | 3,852 | 3,065 | 80% | (787) |
| **Total Ongoing Operations** | **$367,135** | **$341,419** | **93%** | **($25,716)** |
| ***Receivership Funding*** | | | | |
| Salaries & Compensation | $77,892 | $73,687 | 95% | ($4,205) |
| Outside Services - Personnel | 332,138 | 229,020 | 69% | (103,118) |
| Travel | 12,156 | 9,236 | 76% | (2,920) |
| Buildings | 61,720 | 26,806 | 43% | (34,914) |
| Equipment | 1,890 | 1,184 | 63% | (706) |
| Outside Services - Other | 6,396 | 3,163 | 49% | (3,233) |
| Other Expenses | 45,815 | 21,538 | 47% | (24,277) |
| **Total Receivership Funding** | **$538,007** | **$364,634** | **68%** | **($173,373)** |
| | | | | |
| **Total Corporate Operating Budget** | **$905,142** | **$706,053** | **78%** | **($199,089)** |
| | | | | |
| **Investment Budget** [1] | **$1,601** | **$1,520** | **95%** | **($81)** |
| | | | | |
| **Grand Total** | **$906,743** | **$707,573** | **78%** | **($199,170)** |

1) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2011 spending estimates for approved projects.

| Executive Summary of 2011 Budget and Expenditures<br>by Budget Component and Division/Office<br>Through March 31, 2011<br>(Dollars in Thousands) | | | | |
|---|---|---|---|---|
| Division/Office | YTD Budget | YTD Expenditures | % of Budget Used | Variance |
| ***Corporate Operating Budget*** | | | | |
| Risk Management Supervision | $122,661 | $117,303 | 96% | ($5,358) |
| Depositor & Consumer Protection | 34,201 | 32,870 | 96% | (1,331) |
| Information Technology | 52,535 | 44,223 | 84% | (8,312) |
| Administration | 64,979 | 61,462 | 95% | (3,517) |
| Resolutions & Receiverships | 491,189 | 323,758 | 66% | (167,431) |
| Legal | 74,308 | 69,461 | 93% | (4,847) |
| Insurance & Research | 9,530 | 8,139 | 85% | (1,391) |
| Finance | 9,480 | 7,631 | 80% | (1,849) |
| Inspector General | 11,138 | 7,257 | 65% | (3,881) |
| Corporate University - CEP | 4,462 | 4,755 | 107% | 293 |
| Corporate University - Corporate | 3,988 | 4,332 | 109% | 344 |
| Executive Support [1] | 7,701 | 6,571 | 85% | (1,130) |
| Executive Offices [2] | 1,723 | 1,553 | 90% | (170) |
| Complex Financial Institutions | 6,734 | 1,962 | 29% | (4,772) |
| CIO Council | 10,513 | 14,776 | 141% | 4,263 |
| **Total, Corporate Operating Budget** | **$905,142** | **$706,053** | **78%** | **($199,089)** |
| ***Investment Budget*** [3] | | | | |
| Information Technology | $1,601 | $1,520 | 95% | ($81) |
| **Total, Investment Budget** [3] | **$1,601** | **$1,520** | **95%** | **($81)** |
| ***Combined Division/Office Budgets*** | | | | |
| Risk Management Supervision | $122,661 | $117,303 | 96% | ($5,358) |
| Depositor & Consumer Protection | 34,201 | 32,870 | 96% | (1,331) |
| Information Technology | 54,136 | 45,743 | 84% | (8,393) |
| Administration | 64,979 | 61,462 | 95% | (3,517) |
| Resolutions & Receiverships | 491,189 | 323,758 | 66% | (167,431) |
| Legal | 74,308 | 69,461 | 93% | (4,847) |
| Insurance & Research | 9,530 | 8,139 | 85% | (1,391) |
| Finance | 9,480 | 7,631 | 80% | (1,849) |
| Inspector General | 11,138 | 7,257 | 65% | (3,881) |
| Corporate University - CEP | 4,462 | 4,755 | 107% | 293 |
| Corporate University - Corporate | 3,988 | 4,332 | 109% | 344 |
| Executive Support [1] | 7,701 | 6,571 | 85% | (1,130) |
| Executive Offices [2] | 1,723 | 1,553 | 90% | (170) |
| Complex Financial Institutions | 6,734 | 1,962 | 29% | (4,772) |
| CIO Council | 10,513 | 14,776 | 141% | 4,263 |
| **Grand Total** | **$906,743** | **$707,573** | **78%** | **($199,170)** |

1) Executive Support includes the Offices of Minority and Women Inclusion, Public Affairs, Ombudsman, Legislative Affairs, Enterprise Risk Management, and International Affairs.

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

3) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2011 spending estimates for approved projects.