FSLIC Resolution Fund

December 31, 2002 and 2001

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statements of Financial Position at December 31

Dollars in Thousands

	2002	2001
Assets		
Cash and cash equivalents	$ 3,618,330	$ 3,490,396
Investment in securitization-related assets acquired from receiverships (Note 3)	98,114	1,087,102
Receivables from thrift resolutions, net (Note 4)	131,304	286,455
Other assets, net (Note 5)	22,511	29,697
Total Assets	**$ 3,870,259**	**$ 4,893,650**
Liabilities		
Accounts payable and other liabilities	$ 14,408	$ 14,787
Contingent liabilities for litigation losses and other (Note 6)	546	5,304
Total Liabilities	**14,954**	**20,091**
Commitments and concentration of credit risk (Note 10 and Note 11)		
Resolution Equity (Note 8)		
Contributed capital	126,827,821	128,073,030
Accumulated deficit	(123,015,273)	(123,505,818)
Unrealized gain on available-for-sale securities, net (Note 3)	42,757	306,347
Accumulated deficit, net	(122,972,516)	(123,199,471)
Total Resolution Equity	**3,855,305**	**4,873,559**
Total Liabilities and Resolution Equity	**$ 3,870,259**	**$ 4,893,650**

The accompanying notes are an integral part of these financial statements.

FRF

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statements of Income and Accumulated Deficit for the Years Ended December 31

Dollars in Thousands

	2002	2001
Revenue		
Interest on securitization-related assets acquired from receiverships	$ 7,264	$ 32,758
Interest on U.S. Treasury obligations	46,835	99,488
Interest on advances and subrogated claims	1,394	18,447
Realized gain on investment in securitization-related assets acquired from receiverships (Note 3)	352,486	352,179
Other revenue	25,098	78,166
Total Revenue	**433,077**	**581,038**
Expenses and Losses		
Operating expenses	45,684	74,683
Provision for losses (Note 7)	(149,359)	(368,987)
Expenses for goodwill settlements and litigation (Note 1)	40,351	62,542
Interest expense on notes payable and other expenses	4,804	27,299
Realized loss on investment in securitization-related assets acquired from receiverships (Note 3)	1,052	23,541
Total Expenses and Losses	**(57,468)**	**(180,922)**
Net Income	**490,545**	**761,960**
Unrealized loss on available-for-sale securities, net (Note 3)	(263,590)	(149,070)
Comprehensive Income	**226,955**	**612,890**
Accumulated Deficit - Beginning	**(123,199,471)**	**(123,812,361)**
Accumulated Deficit - Ending	**$ (122,972,516)**	**$ (123,199,471)**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statements of Cash Flows for the Years Ended December 31

Dollars in Thousands

	2002	2001
Cash Flows From Operating Activities		
Cash provided by:		
Interest on U.S. Treasury obligations	$ 46,835	$ 99,488
Interest on securitization-related assets acquired from receiverships	8,745	36,148
Recoveries from thrift resolutions	307,694	476,678
Miscellaneous receipts	32,607	53,351
Cash used by:		
Operating expenses	(44,421)	(83,342)
Disbursements for thrift resolutions	(30,373)	(25,153)
Disbursements for goodwill settlements and litigation expenses	(40,351)	(62,542)
Miscellaneous disbursements	(9,119)	(9,279)
Net Cash Provided by Operating Activities (Note 13)	**271,617**	**485,349**
Cash Flows From Investing Activities		
Cash provided by:		
Investment in securitization-related assets acquired from receiverships	1,101,525	902,402
Net Cash Provided by Investing Activities	**1,101,525**	**902,402**
Cash Flows From Financing Activities		
Cash provided by:		
U.S.Treasury payments for goodwill settlements	21,459	0
Cash used for:		
Return of U.S. Treasury payments (Note 8)	0	(5,300)
Payments to Resolution Funding Corporation (Note 8)	(1,266,667)	(1,406,596)
Net Cash Used by Financing Activities	**(1,245,208)**	**(1,411,896)**
Net Increase/(Decrease) in Cash and Cash Equivalents	**127,934**	**(24,145)**
Cash and Cash Equivalents - Beginning	**3,490,396**	**3,514,541**
Cash and Cash Equivalents - Ending	**$ 3,618,330**	**$ 3,490,396**

The accompanying notes are an integral part of these financial statements.

1. Legislative History and Operations of the FSLIC Resolution Fund

Legislative History

The U.S. Congress created the Federal Savings and Loan Insurance Corporation (FSLIC) through the enactment of the National Housing Act of 1934. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC, created the FSLIC Resolution Fund (FRF), and transferred the assets and liabilities of the FSLIC to the FRF-except those assets and liabilities transferred to the Resolution Trust Corporation (RTC)-effective on August 9, 1989. The FRF is responsible for winding up the affairs of the former FSLIC.

The FIRREA was enacted to reform, recapitalize, and consolidate the federal deposit insurance system. In addition to the FRF, FIRREA created the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). It also designated the Federal Deposit Insurance Corporation (FDIC) as the administrator of these funds. All three funds are maintained separately to carry out their respective mandates.

The FIRREA also created the RTC to manage and resolve all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed during the period January 1, 1989, through August 8, 1992. The FIRREA established the Resolution Funding Corporation (REFCORP) to provide part of the initial funds used by the RTC for thrift resolutions. Additionally, funds were appropriated for RTC resolutions pursuant to FIRREA; the RTC Funding Act of 1991; the RTC Refinancing, Restructuring and Improvement Act of 1991; and the RTC Completion Act of 1993.

The RTC's resolution responsibility was extended through subsequent legislation from the original termination date of August 8, 1992. Resolution responsibility transferred from the RTC to the SAIF on July 1, 1995.

The RTC Completion Act of 1993 (RTC Completion Act) terminated the RTC as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. Today, the FRF consists of two distinct pools of assets and liabilities: one composed of the assets and liabilities of the FSLIC transferred to the FRF upon the dissolution of the FSLIC on August 9, 1989 (FRF-FSLIC), and the other composed of the RTC assets and liabilities transferred to the FRF on January 1, 1996 (FRF-RTC). The assets of one pool are not available to satisfy obligations of the other.

The RTC Completion Act also made available approximately $18 billion worth of additional funding to the RTC, of which the RTC actually drew down $4.6 billion. The RTC Completion Act requires the FDIC to return to the U.S. Treasury any funds that were transferred to the RTC pursuant to the RTC Completion Act but not needed by the RTC. This appropriation was fully repaid in 2000.

The FDIC must transfer to the REFCORP the net proceeds from the FRF's sale of RTC assets, after providing for all outstanding RTC liabilities. Any such funds transferred to the REFCORP pay the interest on the REFCORP bonds issued to fund the early RTC resolutions. Any such payments benefit the U.S. Treasury, which would otherwise be obligated to pay the interest on the bonds. During 2002, the FRF-RTC transferred $1.3 billion to the REFCORP.

Operations of the FRF

The FRF will continue operations until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied. Any funds remaining in the FRF-FSLIC will be paid to the U.S. Treasury. Any remaining funds of the FRF-RTC will be distributed to the REFCORP to pay the interest on the REFCORP bonds.

FDIC has conducted an extensive review and cataloging of FRF's residual assets and liabilities and is continuing to explore approaches for concluding FRF's activities. Some of the issues and items that remain open in FRF are: 1) criminal restitution orders (generally have from 5 to 10 years remaining); 2) litigation claims and judgments obtained against officers and directors and other professionals responsible for causing thrift losses (judgments generally vary from 5 to 10 years); 3) numerous assistance agreements entered into by the former FSLIC (FRF could continue to receive tax sharing benefits through year 2020); 4) goodwill litigation (no final date for resolution has been established; see Note 6); and 5) representations and warranties made to support the sale of assets including loans and servicing rights (these liabilities could be incurred over the remaining life of the loans, which is generally 20 years or more; see Note 6). FDIC is considering whether enabling legislation or other measures may be needed to liquidate the remaining FRF assets and liabilities.

The FRF has been primarily funded from the following sources: 1) U.S. Treasury appropriations; 2) amounts borrowed by the RTC from the Federal Financing Bank (FFB); 3) amounts received from the issuance of capital certificates to REFCORP; 4) funds received from the management and disposition of assets of the FRF; 5) the FRF's portion of liquidating dividends paid by FRF receiverships; and 6) interest earned on Special U.S. Treasury Certificates purchased with proceeds of 4) and 5). If these sources are insufficient to satisfy the liabilities of the FRF, payments will be made from the U.S. Treasury in amounts necessary, as appropriated by Congress, to carry out the objectives of the FRF.

Public Law 103-327 provided $827 million in funding to be available until expended to facilitate efforts to wind up the resolution activity of the FRF-FSLIC. The FRF received $165 million under this appropriation on November 2, 1995. In addition, Public Law 104-208 and Public Law 105-61 authorized the use by the U.S. Department of Justice (DOJ) of $26.1 million and $33.7 million, respectively, from the original $827 million in funding, thus reducing the amount available to be expended to $602.2 million. The funding made available to DOJ covers the reimbursement of reasonable expenses of litigation incurred in the defense of claims against the United States arising from the goodwill litigation cases.

Additional goodwill litigation expenses incurred by DOJ are paid directly from the FRF-FSLIC based on a Memorandum of Understanding (MOU) dated October 2, 1998, between the FDIC and DOJ. Under the terms of the MOU, the FRF-FSLIC paid $17.5 million and $66.8 million to DOJ for fiscal years 2003 and 2002, respectively. DOJ returns any unused fiscal year funding to the

FRF unless special circumstances warrant these funds be carried over and applied against current fiscal year charges. At September 30, 2002, DOJ had $68.6 million in unused funds that were applied against FY 2003 charges of $86.1 million. Separate funding for goodwill judgments and settlements is available through Public Law 106-113 (see Note 6).

Receivership Operations

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership entities, and the claims against them, are accounted for separately from FRF assets and liabilities to ensure that receivership proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Expenses paid by the FRF on behalf of the receiverships are recovered from those receiverships.

2. Summary of Significant Accounting Policies

General

These financial statements pertain to the financial position, results of operations, and cash flows of the FRF and are presented in conformity with U.S. generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of closed thrift institutions for which the FDIC acts as receiver. Periodic and final accountability reports of the FDIC's activities as receiver are furnished to courts, supervisory authorities, and others as required.

Use of Estimates

FDIC management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such changes in estimates have been disclosed.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents consist of Special U.S. Treasury Certificates.

Investment in Securitization-Related Assets Acquired From Receiverships

The investment in securitization-related assets acquired from receiverships is classified as available-for-sale and is shown at fair value with unrealized gains and losses included in Resolution Equity. Unrealized gains and losses are computed on a quarterly basis using a cash flow model that calculates the estimated fair value of the assets at termination. This model is updated with current data supplied by the trustees, which includes prepayment speed, delinquency rates, and market pricing. Realized gains and losses are recorded based upon the difference between the proceeds at termination of the deal and the book value of the investment on both the escrow account and the related residual certificate, and are included as components of Net Income. Additionally, realized losses are recognized on the credit enhancement reserve for a decline in fair value that is judged to be an other-than-temporary impairment.

Allowance for Losses on Receivables From Thrift Resolutions

The FRF records a receivable for the amounts advanced and/or obligations incurred for resolving troubled and failed thrifts. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. The latter is based on estimates of discounted cash recoveries from the assets of assisted or failed thrift institutions, net of all applicable estimated liquidation costs. Estimated cash recoveries also include dividends and gains on sales from equity instruments acquired in resolution transactions.

Cost Allocations Among Funds

Operating expenses not directly charged to the funds are allocated to all funds administered by the FDIC using workload-based allocation percentages. These percentages are developed during the annual corporate planning process and through supplemental functional analyses.

Related Parties

Limited Partnership Equity Interests. Former RTC receiverships were holders of limited partnership equity interests as a result of various RTC sales programs that included the National Land Fund; Multiple Investor Fund; N-Series; S-Series; and Judgements, Deficiencies, and Charge-offs programs. The majority of the limited partnership equity interests have been transferred from the receiverships to the FRF. These assets are included in the "Other assets, net" line item in the FRF's Statements of Financial Position.

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and footnotes.

Reclassifications

Reclassifications have been made in the 2001 financial statements to conform to the presentation used in 2002.

3. Investment in Securitization-Related Assets Acquired From Receiverships

In 2002, the investment in securitization-related assets decreased by $989 million to $98 million primarily due to the termination of 15 securitization deals. The FRF received $1.1 billion in proceeds from terminations during 2002 and $851 million during 2001. The one remaining deal that is active as of December 31, 2002, is expected to terminate in 2003.

The RTC engaged in numerous securitization transactions in order to maximize the return from the sale or disposition of assets. The RTC sold $42.4 billion of receivership, conservatorship, and corporate loans to various trusts that issued regular pass-through certificates through its mortgage-backed securities program.

A portion of the proceeds from the sale of the certificates was placed in credit enhancement reserves (escrow accounts) to cover future credit losses with respect to the loans underlying the certificates. In addition, the escrow accounts were established to increase the likelihood of full and timely distributions of interest and principal to the certificate holders and thus increase the marketability of the certificates. The FRF's exposure from credit losses on loans sold through the program is limited to the balance of the escrow accounts. The FRF is entitled to any proceeds remaining in the escrow accounts at termination of the securitization transactions. As part of the securitization transactions, the receiverships received a participation in the residual pass-through certificates (residual certificates) issued through its mortgage-backed securities program. The residual certificates entitle the holder to any cash flow from the sale of collateral remaining in the trust after the regular pass-through certificates and actual termination expenses are paid.

In 1996 and 1998, the escrow accounts and residual certificates were transferred from the receiverships to the FRF for $5.7 billion and $1.4 billion, respectively. Both transfers were offset by amounts owed by the receiverships to the FRF.

Investment in Securitization-Related Assets Acquired From Receiverships at December 31, 2002

Dollars in Thousands

	Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
Credit enhancement reserve	$ 47,101	$ 40,092	$ (13,084)	$ 74,109
Residual certificates	8,256	15,749	0	24,005
Total	**$ 55,357**	**$ 55,841**	**$ (13,084)**	**$ 98,114**

Investment in Securitization-Related Assets Acquired From Receiverships at December 31, 2001

Dollars in Thousands

	Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
Credit enhancement reserve	$ 553,673	$ 153,567	$ (20,686)	$ 686,554
Residual certificates	227,082	173,466	0	400,548
Total	**$ 780,755**	**$ 327,033**	**$ (20,686)**	**$ 1,087,102**

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4. Receivables From Thrift Resolutions, Net

The thrift resolution process took different forms depending on the unique facts and circumstances surrounding each failing or failed institution. Payments for institutions that failed were made to cover obligations to insured depositors and represent claims by the FRF against the receiverships' assets. Payments to prevent a failure were made to operating institutions when cost and other criteria were met.

Assets held by the FDIC in its receivership capacity for the former FSLIC and SAIF-insured institutions are a significant source of repayment of the FRF's receivables from thrift resolutions. As of December 31, 2002 and 2001, FRF receiverships held assets with a book value of $290 million and $448 million, respectively (including cash, investments, and miscellaneous receivables of $146 million and $264 million at December 31, 2002 and 2001, respectively). The estimated cash recoveries from the management and disposition of these assets that are used to derive the allowance for losses are based on a non-representative sampling of receivership assets. This non-representative sample, based primarily on asset book values, provided 97% coverage of the entire portfolio's book value. These estimated recoveries are regularly evaluated, but remain subject to uncertainties because of potential changes in economic conditions. Such uncertainties could cause the FRF's and other claimants' actual recoveries to vary from the level currently estimated.

Receivables From Thrift Resolutions, Net at December 31

Dollars in Thousands

	2002	2001
Assets from open thrift assistance	$ 15,000	$ 384,885
Allowance for losses	(15,000)	(374,885)
Net Assets From Open Thrift Assistance	**0**	**10,000**
Receivables from closed thrifts	27,636,213	32,534,350
Allowance for losses	(27,504,909)	(32,257,895)
Net Receivables From Closed Thrifts	**131,304**	**276,455**
Total	**$ 131,304**	**$ 286,455**

FRF

5. Other Assets, Net

Other Assets, Net at December 31

Dollars in Thousands

	2002	2001
Accounts receivable, net	$ 735	$ 1,555
Due from FDIC funds	0	500
Assets acquired by the Corporation, net	16,428	21,784
Limited partnership equity interests	5,348	5,858
Total	**$ 22,511**	**$ 29,697**

6. Contingent Liabilities for:

Litigation Losses

The FRF records an estimated loss for unresolved legal cases to the extent those losses are considered probable and reasonably estimable. In addition to the amount recorded as probable, the FDIC has determined that losses from unresolved legal cases totaling $43.3 million are reasonably possible.

Additional Contingency

Goodwill Litigation

In *United States v. Winstar Corp.*, 518 U.S. 839 (1996), the Supreme Court held that when it became impossible following the enactment of FIRREA in 1989 for the federal government to perform certain agreements to count goodwill toward regulatory capital, the plaintiffs were entitled to recover damages from the United States. To date, approximately 120 lawsuits have been filed against the United States based on alleged breaches of these agreements (Goodwill Litigation). During 2002, the trial court entered orders finally dismissing 22 Goodwill Litigation cases.

On July 22, 1998, DOJ's Office of Legal Counsel (OLC) concluded that the FRF is legally available to satisfy all judgments and settlements in the Goodwill Litigation involving supervisory action or assistance agreements. OLC determined that nonperformance of these agreements was a contingent liability that was transferred to the FRF on August 9, 1989, upon the dissolution of the FSLIC. Under the analysis set forth in the OLC opinion, as liabilities transferred on August 9, 1989, these contingent liabilities for future nonperformance of prior agreements with respect to supervisory goodwill were transferred to the FRF-FSLIC, which is that portion of the FRF encompassing the obligations of the former FSLIC. The FRF-RTC, which encompasses the obligations of the former RTC and was created upon the termination of the RTC on December 31, 1995, is not available to pay any settlements or judgments arising out of the Goodwill Litigation. On July 23, 1998, the U.S. Treasury determined, based on OLC's opinion, that the FRF is the appropriate source of funds for payments of any such judgments and settlements.

Section 110 of the Department of Justice Appropriations Act, 2000 (Public Law 106-113, Appendix A, Title I, 113 Stat. 1501A-3, 1501A-20) provides to the FRF-FSLIC such sums as may be necessary for the payment of judgments and compromise settlements in the Goodwill Litigation, to remain available until expended. Because an appropriation is available to pay such judgments and settlements, any liabilities for the Goodwill Litigation should have no material impact on the financial condition of the FRF-FSLIC. Nevertheless, the Civil Division of the DOJ has taken the position that all resources of the FRF must be exhausted before the appropriation may be utilized. The FDIC and the Department of the Treasury disagree with the position advocated by the Civil Division of the DOJ. OLC is considering this question, but has not issued an opinion.

The lawsuits comprising the Goodwill Litigation are against the United States and as such are defended by the DOJ. On January 6, 2003, the DOJ again informed the FDIC that it is "unable at this time to provide a reasonable estimate of the likely aggregate contingent liability resulting from the *Winstar*-related cases." This uncertainty arises, in part, from the existence of significant unresolved issues pending at the appellate or trial court level, as well as the unique circumstances of each case.

The FDIC believes that it is probable that additional amounts, possibly substantial, may be paid from the FRF-FSLIC as a result of judgments and settlements in the Goodwill Litigation. However, based on the response from the DOJ, the FDIC is unable to estimate a range of loss to the FRF-FSLIC from the Goodwill Litigation, or determine whether any such loss would have a material effect on the financial condition of the FRF-FSLIC if the FRF must be exhausted before the Section 110 appropriation may be utilized.

Guarini Litigation

Paralleling the goodwill cases are eight similar cases alleging that the government breached agreements regarding tax benefits associated with certain FSLIC-assisted acquisitions. These agreements allegedly contained the promise of tax deductions for losses incurred on the sale of certain thrift assets purchased by plaintiffs, from the FSLIC, even though the FSLIC provided the plantiffs with tax-exempt reimbursement. A provision in the Omnibus Budget Reconciliation Act of 1993 (popularly referred to as the "Guarini legislation") eliminated the tax deductions for these losses.

To date, there have been liability determinations in five of the "Guarini" cases. In one of these cases, damages of approximately $28 million were recently awarded by the Court of Federal Claims subsequent to the date of the financial statements. As the time for filing an appeal has not yet lapsed, there may be appeals. Decisions on liability have not been made in the other two pending cases. An eighth case was settled during 2002 for $20 thousand.

The FDIC believes that it is possible that substantial amounts may be paid from the FRF-FSLIC as a result of the judgments and settlements from the "Guarini litigation". However, because the litigation of damages computation is still ongoing, the amount of the damages is not estimable at this time.

Representations and Warranties

As part of the RTC's efforts to maximize the return from the sale of assets from thrift resolutions, representations and warranties, and guarantees were offered on certain loan sales. In general, the guarantees, representations, and warranties on loans sold relate to the completeness and accuracy of loan documentation, the quality of the underwriting standards used, the accuracy of the delinquency status when sold, and the conformity of the loans with characteristics of the pool in which they were sold. The total amount of the loans sold subject to unexpired representations and warranties, and guarantees was $173 billion as of December 31, 2002. The contingent liability from all outstanding claims asserted in connection with representations and warranties was $77 thousand and $2.3 million at December 31, 2002 and 2001, respectively.

In addition, future losses on representations and warranties, and guarantees could be incurred over the remaining life of the loans sold, which is generally 20 years or more. Consequently, the FDIC believes it is possible that additional losses may be incurred by the FRF from the universe of outstanding contracts with unasserted representation and warranty claims. However, because of the uncertainties surrounding the timing of when claims may be asserted, the FDIC is unable to reasonably estimate a range of loss to the FRF from outstanding contracts with unasserted representation and warranty claims.

7. Provision for Losses

The provision for losses was a negative $149 million and a negative $369 million for 2002 and 2001, respectively. In 2002, the negative provision was primarily due to: 1) recoveries of $95 million of net tax benefits sharing from assistance agreements, 2) lower estimated losses of $26 million to the credit enhancement reserve, and 3) lower estimated losses of $20 million for assets in liquidation. The negative provision in 2001 resulted primarily from: 1) recoveries of $163 million of net tax benefits sharing from assistance agreements and 2) recoveries of $120 million from receiverships with positive equity where the FRF is entitled to the positive value of the receivership to reduce the overall cost of resolving the institutions.

Provision for Losses for the Years Ended December 31

Dollars in Thousands

	2002	2001
Valuation Adjustments:		
Open thrift assistance	$ (3,072)	$ (23,652)
Tax benefits sharing recoveries	(95,079)	(163,111)
Closed thrifts	(20,164)	(93,710)
Miscellaneous receivables	(28,776)	(88,758)
Total Valuation Adjustments	**(147,091)**	**(369,231)**
Contingent Liabilities Adjustments:		
Litigation losses	(86)	(2,015)
Representations and warranties	(2,182)	2,259
Total Contingent Liabilities Adjustments	**(2,268)**	**244**
Total	**$ (149,359)**	**$ (368,987)**

8. Resolution Equity

As stated in the Legislative History section of Note 1, the FRF is comprised of two distinct pools: the FRF-FSLIC and the FRF-RTC. The FRF-FSLIC consists of the assets and liabilities of the former FSLIC. The FRF-RTC consists of the assets and liabilities of the former RTC. Pursuant to legal restrictions, the two pools are maintained separately and the assets of one pool are not available to satisfy obligations of the other.

The following table shows the contributed capital, accumulated deficit, and resulting resolution equity for each pool.

Resolution Equity at December 31, 2002

Dollars in Thousands

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital - beginning	$ 44,157,025	$ 83,916,004	$ 128,073,029
Add: U.S. Treasury payments for goodwill settlements	21,459	0	21,459
Less: REFCORP payments	0	(1,266,667)	(1,266,667)
Contributed capital-ending	**44,178,484**	**82,649,337**	**126,827,821**
Accumulated deficit	(41,282,541)	(81,732,732)	(123,015,273)
Less: Unrealized gain on available-for-sale securities	0	42,757	42,757
Accumulated deficit, net	**(41,282,541)**	**(81,689,975)**	**(122,972,516)**
Total	**$ 2,895,943**	**$ 959,362**	**$ 3,855,305**

Resolution Equity at December 31, 2001

Dollars in Thousands

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital - beginning	$ 44,157,025	$ 85,327,901	$ 129,484,926
Less: U.S. Treasury repayments	0	(5,300)	(5,300)
Less: REFCORP payments	0	(1,406,596)	(1,406,596)
Contributed capital-ending	**44,157,025**	**83,916,005**	**128,073,030**
Accumulated deficit	(41,372,610)	(82,133,208)	(123,505,818)
Less: Unrealized gain on available-for-sale securities	0	306,347	306,347
Accumulated deficit, net	**(41,372,610)**	**(81,826,861)**	**(123,199,471)**
Total	**$ 2,784,415**	**$ 2,089,144**	**$ 4,873,559**

Contributed Capital

To date, the FRF-FSLIC and the former RTC received $43.5 billion and $60.1 billion from the U.S. Treasury, respectively. These payments were used to fund losses from thrift resolutions prior to July 1, 1995. Additionally, the FRF-FSLIC issued $670 million in capital certificates to the FICO and the RTC issued $31.3 billion of these instruments to the REFCORP. FIRREA prohibited the payment of dividends on any of these capital certificates. Through December 31, 2002, as described in Note 1, the FRF-RTC has returned $4.556 billion to the U.S. Treasury and made payments of $4.122 billion to the REFCORP. These actions serve to reduce contributed capital.

Accumulated Deficit

The accumulated deficit represents the cumulative excess of expenses over revenue for activity related to the FRF-FSLIC and the FRF-RTC. Approximately $29.7 billion and $87.9 billion were brought forward from the former FSLIC and the former RTC on August 9, 1989, and January 1, 1996, respectively. The FRF-FSLIC accumulated deficit has increased by $11.5 billion, whereas the FRF-RTC accumulated deficit has decreased by $6.2 billion, since their dissolution dates.

9. Employee Benefits

Pension Benefits, Savings Plans and Postemployment Benefits

Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The CSRS is a defined benefit plan, which is offset with the Social Security System in certain cases. Plan benefits are determined on the basis of years of creditable service and compensation levels. The CSRS-covered employees also can contribute to the tax-deferred Federal Thrift Savings Plan (TSP).

The FERS is a three-part plan consisting of a basic defined benefit plan that provides benefits based on years of creditable service and compensation levels, Social Security benefits, and the TSP. Automatic and matching employer contributions to the TSP are provided up to specified amounts under the FERS.

Although the FRF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The FRF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported on and accounted for by the U.S. Office of Personnel Management.

Eligible FDIC employees also may participate in a FDIC-sponsored tax-deferred 401(k) savings plan with matching contributions. The FRF pays its share of the employer's portion of all related costs.

Pension Benefits, Savings Plans Expenses and Postemployment Benefits for the Years Ended December 31

Dollars in Thousands

	2002	2001
Civil Service Retirement System	$ 711	$ 1,055
Federal Employees Retirement System (Basic Benefit)	1,987	2,966
FDIC Savings Plan	1,186	1,748
Federal Thrift Savings Plan	756	1,131
Total	**$ 4,640**	**$ 6,900**

Accrued Annual Leave

The FRF's pro rata share of the Corporation's liability to employees for accrued annual leave is approximately $2.5 million and $4.1 million at December 31, 2002 and 2001, respectively.

Postretirement Benefits Other Than Pensions

The FDIC provides certain life and dental insurance coverage for its eligible retirees, the retirees' beneficiaries and covered dependents. Retirees eligible for life insurance coverage are those who have qualified due to: 1) immediate enrollment upon appointment or five years of participation in the plan and 2) eligibility for an immediate annuity. The life insurance program provides basic coverage at no cost to retirees and allows converting optional coverages to direct-pay plans. Dental coverage is provided at no cost to all retirees eligible for an immediate annuity. At December 31, 2002, the FRF's net postretirement benefit liability recognized in the "Accounts payable and other liabilities" line item in the Statement of Financial Position was $466 thousand. At December 31, 2001, the FRF's net postretirement benefit asset recognized in the "Other assets, net" line item in the Statement of Financial Position was $232 thousand.

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10. Commitments

Leased Space

The FRF's allocated share of the FDIC's lease commitments totals $8.7 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The allocation to the FRF of the FDIC's future lease commitments is based upon current relationships of the workloads among the FRF, the BIF, and the SAIF. Changes in the relative workloads could cause the amounts allocated to the FRF in the future to vary from the amounts shown below. The FRF recognized leased space expense of $4.0 million and $5.5 million for the years ended December 31, 2002 and 2001, respectively.

Leased Space Commitments

Dollars in Thousands

2003	2004	2005	2006	2007	2008/Thereafter
$ 2,064	$ 2,039	$ 1,898	$ 1,378	$ 811	$ 474

11. Concentration of Credit Risk

Financial instruments that potentially subject the FRF to credit risk consist primarily of: 1) gross receivables from thrift resolutions totaling $27.7 billion and 2) an investment in securitization-related assets acquired from receiverships totaling $98.1 million. The receivables from thrift resolutions include payments made to cover obligations to insured depositors, advances to receiverships to provide working capital, and receivables for expenses paid by the FRF on behalf of receiverships. Assets held by the FDIC in its receivership capacity for the former FSLIC and SAIF-insured institutions are the main source of repayment of the FRF's receivables from thrift resolutions. An allowance for loss of $27.5 billion, or 99.5% of the gross receivable, was recorded as of December 31, 2002. Of the remaining 0.5 percent of the gross receivable, 85% of the receivable is expected to be repaid from receivership cash, cash equivalents, and pledged cash reserves. The credit risk related to the pledged cash reserves is limited since the majority of these assets are evaluated annually and have experienced minimal losses.

The value of the investment in securitization-related assets is influenced by the economy of the area relating to the underlying loans. Of this investment, $130.5 million of the underlying mortgages are located in California and $44.3 million of loans are located in New Jersey. No other state accounted for a material portion of the investment.

12. Disclosures About the Fair Value of Financial Instruments

Cash equivalents are short-term, highly liquid investments and are shown at current value. The carrying amount of short-term receivables and accounts payable and other liabilities approximates their fair market value, due to their short maturities and/or comparability with current interest rates.

The net receivables from thrift resolutions primarily include the FRF's subrogated claim arising from payments to insured depositors. The receivership assets that will ultimately be used to pay the corporate subrogated claim are valued using discount rates that include consideration of market risk. These discounts ultimately affect the FRF's allowance for loss against the net receivables from thrift resolutions. Therefore, the corporate subrogated claim indirectly includes the effect of discounting and should not be viewed as being stated in terms of nominal cash flows.

Although the value of the corporate subrogated claim is influenced by valuation of receivership assets (see Note 4), such receivership valuation is not equivalent to the valuation of the corporate claim. Since the corporate claim is unique, not intended for sale to the private sector, and has no established market, it is not practicable to estimate its fair market value.

The FDIC believes that a sale to the private sector of the corporate claim would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. In addition, the timing of receivership payments to the FRF on the subrogated claim does not necessarily correspond with the timing of collections on receivership assets. Therefore, the effect of discounting used by receiverships should not necessarily be viewed as producing an estimate of market value for the net receivables from thrift resolutions.

The investment in securitization-related assets acquired from receiverships is adjusted to fair value at each reporting date using a valuation model that estimates the present value of estimated expected future cash flows discounted for the various risks involved, including both market and credit risks, as well as other attributes of the underlying assets (see Note 3).

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13. Supplementary Information Relating to the Statements of Cash Flows

Reconciliation of Net Income to Net Cash Provided by Operating Activities for the Years Ended December 31

Dollars in Thousands

	2002	2001
Net Income	**$ 490,545**	**$ 761,960**
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Assets and Liabilities:		
Decrease in receivables from thrift resolutions	155,151	129,921
(Increase) in securitization-related assets acquired from receiverships	(376,127)	(327,132)
Decrease in other assets	7,185	21,044
(Decrease) in accounts payable and other liabilities	(379)	(26,301)
(Decrease) in liabilities from thrift resolutions	0	(74,872)
(Decrease) Increase in contingent liabilities for litigation losses	(4,758)	729
Net Cash Provided by Operating Activities	**$ 271,617**	**$ 485,349**

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14. Subsequent Events

On January 10, 2003, FRF paid REFCORP $400 million from excess FRF-RTC cash, bringing total payments to REFCORP to $4.5 billion.