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

August 17, 2010

MEMORANDUM TO: The Board of Directors

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

Bret D. Edwards
Director, Division of Finance

SUBJECT: Second Quarter 2010 CFO Report to the Board

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

Executive Summary

- During the second quarter of 2010, the Deposit Insurance Fund (DIF) balance increased by $5.5 billion to negative $15.2 billion. This increase was primarily due to a $3.2 billion increase in assessments earned and a $2.6 billion decrease in the provision for insurance losses, offset by a $381.8 million increase in operating expenses.

- During the second quarter of 2010, the FDIC was named receiver for 45 failed institutions. The combined assets at inception for these institutions totaled approximately $48.0 billion with a total estimated loss of $10.5 billion. The corporate cash outlay during the second quarter for these failures was approximately $18.4 billion.

- Year-to-date through June 30, 2010, expenditures from the Corporate Operating Budget ran below budget by 2 percent ($29.4 million). The variance was primarily the result of lower spending for contractual services as well as vacancies in budgeted positions in both the Ongoing Operations and Receivership Funding components of the budget.

- Expenditures from the Investment Budget ran 70 percent ($0.8 million) below year-to-date project spending estimates through June 30, 2010. For the information technology projects that make up the Investment Budget, detailed quarterly reports are provided separately to the Board by the Capital Investment Review Committee.

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

Trends and Outlook	
Financial Results	Comments
I. Financial Statements	• As illustrated in the first graph on page 10, the fund balance has decreased since 2008 due to estimated losses from actual bank failures, as well as contingent liabilities for future failures. Over the past two quarters, however, the fund balance has improved modestly—though it remains negative. The DIF's contingent liabilities for future failures have similarly moderated recently. The DIF's available cash increased dramatically in the fourth quarter of 2009 due to the collection of approximately three years of prepaid assessments, which was effected to ensure that the DIF would have adequate liquidity to resolve future failures. Current cash flow projections indicate that the DIF continues to have sufficient cash to resolve expected failures. • Observations from recent bank resolutions suggest some moderation in expected losses on failed bank assets compared with earlier periods of the current crisis. These indications include lower discounts in recent loss-share deals, increased numbers of bids in recent LLC deals with lower loss rate assumptions, and stable asset valuations for recent liquidations. • The second graph on page 10 shows the cash outlays made by the DIF to cover brokered deposits not assumed by acquiring institutions. These outlays were particularly high in the second quarter of 2010 due to the three Puerto Rico institutions that failed at the end of April, where brokered deposits made up an above-average share of their total deposits.

Trends and Outlook	
Financial Results	Comments
II. Investments	• The total liquidity (market value plus accrued interest) of all DIF-related investment portfolios (the DIF investment portfolio and the systemic-risk-related investment portfolios) stood at $44.0 billion on June 30, 2010, down from $66.1 billion on December 31, 2009, led primarily by the decline in the DIF investment portfolio as discussed below. • The DIF investment portfolio's amortized cost (book value) decreased by $21.2 billion during the first half of 2010, and totaled $38.1 billion on June 30, 2010. The decrease was the result of having to fund 86 bank failures during the first half of the year, although it should be noted that 73 of these failures were resolved as loss-share transactions that required little or no initial resolution funding, and thus helped to mitigate the decline in the DIF portfolio's balance. Moreover, during the first half of 2010, the DIF received $4.1 billion in dividends, repayments of borrowings, and expense reimbursements from its receiverships. These receipts also helped to mitigate the DIF portfolio's decline. Nevertheless, the DIF portfolio's balance is expected to continue to decline over the next few quarters. • At the end of the second quarter, the DIF investment portfolio's yield was 0.62 percent, up 13 basis points from its December 31, 2009, yield of 0.49 percent. Although $2.7 billion in generally higher-yielding securities matured during the first half of the year, this reduction in yield was more than offset by two factors. First, the yield on overnight investments increased considerably, rising from 0.02 percent on December 31, 2009 to 0.09 percent on June 30, 2010. Second, overnight investments comprised a much smaller percentage of the DIF portfolio by the end of the second quarter. • Short-maturity Treasury yields remained stable during the second quarter of 2010, while longer-maturity Treasury yields posted dramatic declines. Overall, Treasury yields remain at historically low levels, reflecting such factors as subdued inflation trends and stable inflation expectations, as well as the ultra-low federal funds target rate and continuing investor expectations that the rate will remain low for some time. Moreover, the recent declines in longer-maturity Treasury yields reflect continuing concerns over the European debt crisis and the weakening Euro, as well as new concerns over signs of a potential slowdown in global economic growth. Nevertheless, according to consensus expectations, Treasury yields are expected to increase modestly during the remainder of 2010 and during 2011.

Trends and Outlook	
Financial Results	Comments
III. Budget	• Approximately $664.8 million was spent in the Ongoing Operations component of the 2010 Corporate Operating Budget, which was $39.9 million (6 percent) below the budget for the six months ending June 30, 2010. Actual expenses in the Salaries and Compensation and Outside Services – Personnel categories were both about $13 million below their year-to-date budgets and accounted for most of this variance. • Approximately $1.0 billion was spent in the Receivership Funding component of the 2010 Corporate Operating Budget, which was $10.5 million (1 percent) above the budget for the six months ending June 30, 2010. Actual expenses exceeded the year-to-date budgets by $103.1 million in the Other Expenses category, $41.3 million in the Outside Services – Other category, and $27.9 million in the Buildings category. This over-spending was largely offset by under-spending in the Outside Services – Personnel and Salaries and Compensation categories of $126.8 million and $21.7 million, respectively.

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

Deposit Insurance Fund (DIF)

- For the six months ending June 30, 2010, the DIF's comprehensive income totaled $5.6 billion compared with a comprehensive loss of $6.9 billion for the same period last year. This $12.5 billion year-over-year increase was primarily due to a $17.8 billion decline in the provision for insurance losses partially offset by a $5.2 billion decrease in assessments earned. The reason for this decrease in assessments earned was the recognition of a $5.6 billion receivable for a one-time special assessment at June 30, 2009, which was collected on September 30, 2009.

- Assessment revenue increased by $3.2 billion during the second quarter to $6.5 billion at June 30, 2010. The DIF recognized revenue of $2.9 billion for the second quarter insurance period for those institutions that prepaid assessments on December 30, 2009. For those institutions that did not prepay assessments, the "Assessments receivable, net" line item of $313 million represents the estimated gross premiums due from insured depository institutions for the second quarter.

- The provision for insurance losses was $469.2 million as of June 30, 2010, compared with $18.3 billion for the same period in 2009. The total provision consists mainly of the decrease in the provision for future failures ($16.5 billion) and the losses estimated at resolution for the 86 failures occurring in 2010 ($16.8 billion).

FSLIC Resolution Fund (FRF)

- On June 25, 2010, the Arbitration Panel of the American Arbitration Association resolved a dispute between the FDIC, in its capacity as manager of the FRF, and The Adam Corporation/Group (TACG), over the amount TACG was required to pay the FDIC in tax benefit sharing payments under the tax provisions of a 1988 FSLIC Assistance Agreement. Finding that the FDIC was the "prevailing party," the panel awarded $42.6 million to the FDIC. The $42.6 million was accrued in the FRF's June financial statements and is reflected in the "Receivables from thrift resolutions and other assets, net" line item of the balance sheet and in the "Recovery of tax benefits" line item on the income statement. If the TACG does not pay the award within 30 days, interest will accrue.

II. Investments

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

DIF Investment Portfolio

- The amortized cost (book value) of the DIF investment portfolio decreased by $21.2 billion, or 35.8 percent, during the first half of 2010, from $59.3 billion on December 31, 2009, to $38.1 billion on June 30, 2010. Similarly, the DIF portfolio's primary reserve (total market value plus accrued interest) decreased by $21.3 billion, or 35.8 percent, from $59.5 billion on December 31, 2009, to $38.2 billion on June 30, 2010. During the period, resolution outlays and operating expenses greatly exceeded receivership payments and assessment collections.

- The DIF investment portfolio's total return for the first half of 2010 was 0.08 percent, approximately 462 basis points lower than its benchmark, the Merrill Lynch 1 – 10 Year U.S. Treasury Index (Index), which had a total return of 4.70 percent during the same period. Given that most longer-maturity Treasury yields declined during the period (that is, prices rose), the DIF portfolio's large overnight investment and short-maturity Treasury bill (T-Bill) balances invested in relatively low yielding investments were a drag on performance relative to the Index's longer-duration conventional Treasury securities.

- In accordance with the approved second quarter 2010 investment strategy, which strove to balance the need for liquidity against the desire to pick up some yield by investing in short-maturity Treasuries, staff purchased a total of four short-maturity T-Bills during the second quarter of 2010. The four securities had a total par value of $4.8 billion, a weighted average yield-at-cost of 0.18 percent, and a weighted average maturity (WAM) of 0.46 years.

Other Corporate Investment Portfolios

- During the first half of 2010, the book value of the Debt Guarantee Program (DGP) investment portfolio decreased from $6.4 billion on December 31, 2009 to $5.8 billion on June 30, 2010. Although the DGP portfolio received a total of $322 million in reimbursements from Transaction Account Guarantee (TAG) Program assessments at the end of the first and second quarters, the DGP reimbursed $970 million to the DIF portfolio for claims against the TAG Program during the quarter, hence the net decline. In accordance with the approved second quarter 2010 investment strategy for the DGP portfolio, staff purchased two short-maturity T-

Bills during the most recent quarter. The securities had a total par value of $600 million, a weighted average yield-at-cost of 0.19 percent, and a WAM of 0.49 years.

- During the first half of 2010, as mentioned above, the FDIC collected about $322 million in fees related to the TAG Program under the Temporary Liquidity Guarantee Program. Again, these funds were immediately transferred to the DGP investment portfolio for reimbursement of claims and expenses, so the TAG Program investment portfolio had no balance on June 30, 2010.

The Treasury Market

- Short-term Treasury yields remained stable during the second quarter of 2010, while longer-term Treasury yields posted dramatic declines. The three-month T-Bill yield actually increased by 2 basis points, while the yield on the six-month T-Bill decreased by 1 basis point. The one-year T-Bill yield declined by 7 basis points. The two-year Treasury note yield, which is sensitive not only to actual and anticipated changes in the federal funds rate, but also to changes in investor sentiment, declined by 42 basis points. Intermediate- to longer-maturity Treasury security yields declined during the second quarter. The yield on the five-year Treasury note declined by 77 basis points while the yield on the ten-year Treasury note declined by 90 basis points. Consequently, the conventional Treasury yield curve flattened during the second quarter of 2010. On June 30, 2010, the two- to ten-year yield curve had a 233-basis point positive spread (lower than the 281-basis point spread at the beginning of the quarter). Over the past five years, this spread has averaged 113 basis points.

Prospective Strategies

- Similar to the second quarter investment strategy, the third quarter 2010 DIF investment strategy calls for purchasing up to $15.0 billion of shorter-term Treasury securities with maturities between October 1, 2010, and June 30, 2011. This strategy attempts to balance the need to maintain sufficient portfolio liquidity for the funding of potential near-term resolutions against the yield pick-up that can be obtained by investing in short-maturity Treasury securities.

- For the DGP portfolio, similar to its second quarter investment strategy, the third quarter 2010 investment strategy calls for purchasing up to $2.0 billion of Treasury securities with maturities between October 1, 2010, and June 30, 2011. Again, this strategy attempts to balance the need to maintain sufficient portfolio liquidity against the yield pick-up that can be obtained by investing in short-maturity securities.

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

Approved Budget Modifications

The 2010 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to make certain modifications to the 2010 Corporate Operating Budget. One budget reallocation was made during the second quarter by the CFO in accordance with this authority. In May 2010, the CFO approved the reallocation of budget authority within the Salaries and Compensation expense category of the Ongoing Operations and Receivership Funding components of the 2010 Corporate Operating Budget to reflect updated salary and benefit expense estimates for all divisions and offices, except for the Office of Inspector General. This reallocation did not change the total 2010 Corporate Operating Budget approved by the Board.

This reallocation followed a comprehensive analysis of the approved authority for salaries, bonuses, and fringe benefits through March 31, 2010. The large number of vacancies in budgeted positions and lower-than-estimated locality pay adjustments negotiated for 2010 were major factors causing excess budget authority. Some of this excess was reallocated to provide necessary funding for authorized staffing increases in the Division of Supervision and Consumer Protection, the Office of Legislative Affairs, and the Office of the Ombudsman that were reported in the First Quarter CFO Report to the Board. Remaining excess funds totaling $13 million in the Ongoing Operations and $18 million in the Receivership Funding budget components were realigned, thereby increasing the Ongoing Operations Corporate Unassigned budget from $13 million to $25 million, and the Receivership Funding Corporate Unassigned budget from $176 million to $194 million. These Corporate Unassigned budgets will be available to meet new budget requirements that may emerge during the remainder of the year.

Approved Staffing Modifications

The 2010 Budget Resolution delegated to the CFO the authority to modify 2010 Authorized Staffing for divisions and offices, as long as those modifications did not increase the total approved 2010 Corporate Operating Budget. In June 2010, in accordance with the authority delegated to him by the Board of Directors, the CFO approved an increase of two authorized permanent positions in the Office of Enterprise Risk Management to support its rapidly growing risk assessment workload associated with the increase in the Corporation's business activities and workload. The CFO determined that sufficient funding would be available for these positions for the balance of 2010 in the Ongoing Operations budget component through the reallocation of surplus budget authority during the mid-year budget review process.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the six months ending June 30, 2010, are defined as those that either (1) exceed the YTD budget by $2 million and represent more than 3 percent for a major expense category or total division/office budget; or (2) are under the YTD budget for a major expense category or division/office by an amount that exceeds $3 million and represents more than 5 percent of the major expense category or total division/office budget.

Significant Spending Variances by Major Expense Category

<u>Ongoing Operations</u>

There were significant spending variances in two major expense categories through the second quarter in the Ongoing Operations component of the 2010 Corporate Operating Budget:

- Outside Services – Personnel expenditures were $13.2 million, or 12 percent, less than budgeted. The variance was largely due to under-spending in the CIO Council and Division of Information Technology (DIT) budgets. Approximately $6 million of this variance was attributable to under-spending for systems development and discretionary small enhancements overseen by the CIO Council, and almost $5 million was attributable to under-spending by DIT for internal operations due to delays in starting some internal initiatives. In addition, DRR spent $3 million less than budgeted due to postponement of training for new employees in Asset Management and in the use of the new Claims Administration System (CAS) as well as lower than anticipated spending for business support services, IT security services, and financial advisory services.

- Equipment expenditures were $6.9 million, or 19 percent, less than budgeted. The variance was largely attributable to delays in the purchase of "technical refresh" equipment and software and delayed billing for software maintenance, including license renewal fees for 30 disparate software packages. The invoicing was delayed because the contractor who makes the purchases for the FDIC had to wait to bill the FDIC until after the invoice was received from the software reseller. In the future, DIT will accrue for these license renewal fees.

Receivership Funding

The Receivership Funding component of the 2010 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.

Significant spending variances occurred during the second quarter in all seven major expense categories of the Receivership Funding component of the 2010 Corporate Operating Budget:

- Salaries & Compensation ($21.7 million, or 19 percent, less than budgeted).

- Outside Services – Personnel ($126.8 million, or 17 percent, less than budgeted).

- Travel ($9.4 million, or 32 percent, less than budgeted).

- Buildings ($27.9 million, or 37 percent, more than budgeted).

- Equipment ($3.9 million, or 21 percent, less than budgeted).

- Outside Services – Other ($41.3 million, or 337 percent, more than budgeted).

- Other Expenses ($103.1 million, or 331 percent, more than budgeted).

The variances in the Outside Services – Personnel and Travel expense categories were attributable to fewer-than-anticipated resolutions through the second quarter of 2010. The variance in the Salaries and Compensation category was attributable to delays in the hiring of non-permanent staff. Greater-than-budgeted spending occurred in the Buildings and Other Expenses categories as a result of longer than expected receivership operations at the sites of failed institutions and the greater number of field sites in operation. In addition, approximately $43.6 million in unbudgeted guarantee fee costs incurred in conjunction with a Limited Liability Company (LLC) transaction were recorded to the Outside Services – Other expense category. A variance in the Equipment category was primarily attributable to lower-than-anticipated costs for the Midwest Temporary Satellite Office (MWTSO) and the purchase of fewer laptops than were budgeted for during the first half of 2010.

Significant Spending Variances by Division/Office[1]

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

- The Division of Information Technology spent $26.3 million, or 21 percent, less than budgeted. This variance was largely attributable to lower-than-budgeted hardware/software maintenance costs and deferrals in equipment purchases, lower-than-anticipated facility costs at the MWTSO, and delays in starting some internal DIT initiatives.

- The Legal Division spent $7.4 million, or 7 percent, more than budgeted. This variance was due to the need for more outside counsel assistance for litigation and other legal work than was anticipated through the second quarter. A budget modification was requested in the mid-year budget process.

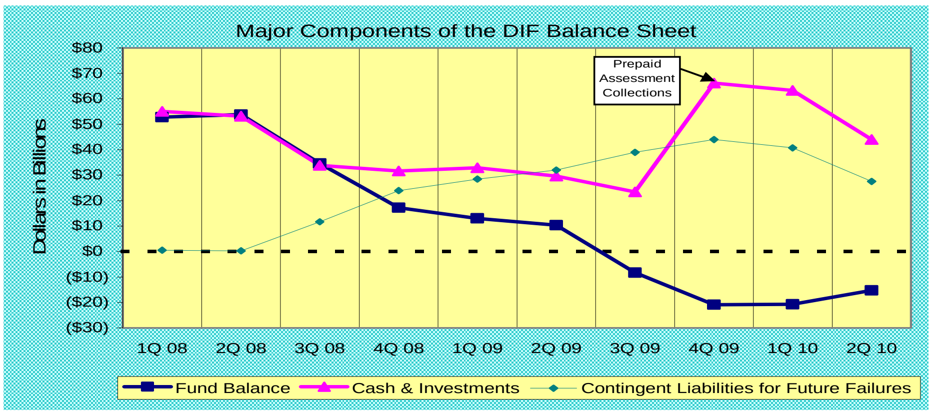
- The CIO Council spent $5.6 million, or 17 percent, less than budgeted. This variance was primarily attributable to the timing of spending for development projects to which funds were allocated by the CIO Council and for discretionary funds allocated to divisions/offices for small enhancements.

[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				
	Jun-10	Mar-10	Quarterly Change	Jun-09	Year-Over-Year Change
Cash & cash equivalents - unrestricted	$ 18,824	$ 41,094	$ (22,270)	$ 3,633	$ 15,191
Cash & investments - restricted - systemic risk	5,786	6,077	(291)	7,360	(1,574)
Investment in U.S. Treasury obligations, net	19,264	15,792	3,472	18,019	1,245
Trust preferred securities	2,130	2,140	(10)	-	2,130
Assessments receivable, net	313	268	45	9,048	(8,735)
Receivables and other assets, net - systemic risk	3,486	3,165	321	4,328	(842)
Interest receivable on investments and other assets, net	165	134	31	302	(137)
Receivables from resolutions, net	50,451	39,091	11,360	21,729	28,722
Property, buildings and other capitalized assets, net	391	386	5	368	23
Total Assets	$ 100,810	$ 108,147	$ (7,337)	$ 64,787	$ 36,023
Accounts payable and other liabilities	328	351	(23)	121	207
Unearned revenue - prepaid assessments	36,785	39,718	(2,933)	-	36,785
Liabilities due to resolutions	41,862	38,362	3,500	11,091	30,771
Deferred revenue - systemic risk	8,321	7,999	322	10,032	(1,711)
Postretirement benefit liability	145	145	-	114	31
Contingent Liabilities: future failures	27,534	40,720	(13,186)	31,968	(4,434)
Contingent Liabillties: systemic risk	782	1,269	(487)	893	(111)
Contingent Liabilities: litigation losses & other	300	300	-	200	100
Total Liabilities	$ 116,057	$ 128,864	$ (12,807)	$ 54,419	$ 61,638
FYI: Unrealized gain/(loss) on U.S. Treasury investments, net	62	113	(51)	962	(900)
FYI: Unrealized gain/(loss) on trust preferred securities	168	178	(10)	-	168
FYI: Unrealized postretirement benefit gain/(loss)	(3)	(3)	-	25	(28)
FUND BALANCE	$ (15,247)	$ (20,717)	$ 5,470	$ 10,368	$ (25,615)



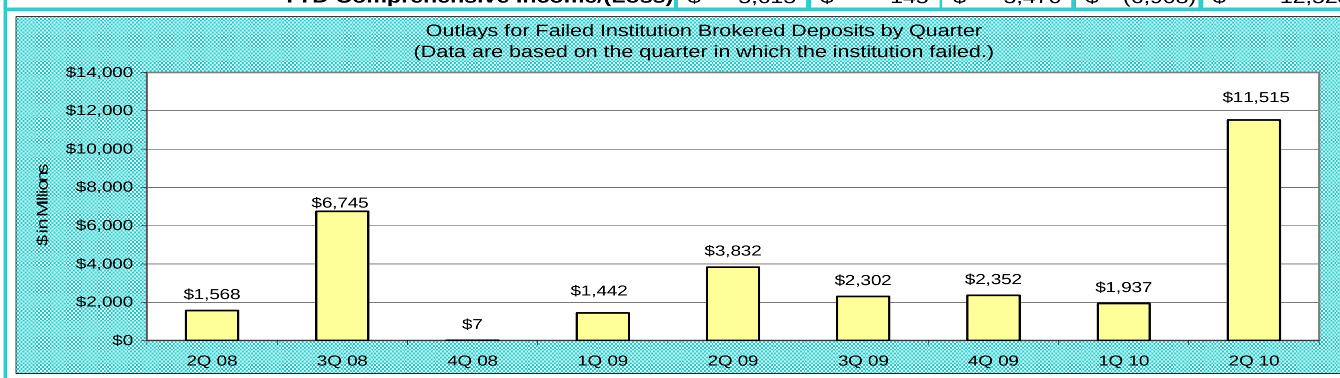
Fund Balance = Total DIF Assets - Total DIF Liabilities

DIF Assets generally include cash and investments, receivables (from receiverships, assessments, and interest), and other assets.

DIF Liabilities generally include unearned revenue (prepaid assessments), liabilities to receiverships, deferred revenue and contingent liabilities (future failures).

DIF Cash & Investments include cash & cash equivalents (unrestricted), cash & investments (restricted-systemic risk), UST obligations, and accrued interest.

Income Statement (year-to-date)	Deposit Insurance Fund				
	Jun-10	Mar-10	Quarterly Change	Jun-09	Year-Over-Year Change
Assessments earned	$ 6,520	$ 3,278	$ 3,242	$ 11,710	$ (5,190)
Systemic risk revenue	(138)	49	(187)	327	(465)
Interest earned on U.S. Treasury obligations	126	62	64	452	(326)
Realized gain on sale of securities	-	-	-	657	(657)
Other revenue	79	23	56	377	(298)
Total Revenue	$ 6,587	$ 3,412	$ 3,175	$ 13,523	$ (6,936)
Operating expenses (includes depreciation expense)	727	345	382	564	163
Systemic risk expenses	(138)	49	(187)	327	(465)
Provision for insurance losses	469	3,021	(2,552)	18,252	(17,783)
Other expenses	2	1	1	-	2
Total Expenses & Losses	$ 1,060	$ 3,416	$ (2,356)	$ 19,143	$ (18,083)
Net Income/(Loss)	5,527	(4)	5,531	(5,620)	11,147
Unrealized gain/(loss) on U.S. Treasury investments, net	(80)	(29)	(51)	(1,288)	1,208
Unrealized gain/(loss) on trust preferred securities	168	178	(10)	-	168
Unrealized postretirement benefit gain/(loss)	-	-	-	-	-
YTD Comprehensive Income/(Loss)	$ 5,615	$ 145	$ 5,470	$ (6,908)	$ 12,523



Fund Financial Results - continued

($ in Millions)

Statements of Cash Flows (year-to-date)

Deposit Insurance Fund

	Jun-10	Mar-10	Quarterly Change	Jun-09	Year-Over-Year Change
Net (Loss)/Income	$ 5,527	$ (4)	$ 5,531	$ (5,620)	$ 11,147
Amortization of U.S. Treasury obligations (unrestricted)	(17)	3	(20)	145	(162)
TIPS Inflation Adjustment	(13)	(4)	(9)	38	(51)
Depreciation on property and equipment	34	18	16	33	1
Loss on retirement of property and equipment	-	-	-	-	-
Provision for insurance losses	469	3,021	(2,552)	18,252	(17,783)
Unrealized (loss)/gain on postretirement benefits	-	-	-	-	-
(Gain) on sale of UST obligations	-	-	-	(658)	658
Guarantee termination fee from Citigroup	-	-	-	-	-
Systemic risk expenses	-	-	-	-	-
Net change in operating assets and liabilities	(26,054)	(4,656)	(21,398)	(13,610)	(12,444)
Net Cash Provided by/(Used by) Operating Activities	$ (20,054)	$ (1,622)	$ (18,432)	$ (1,420)	$ (18,634)
Investments matured and sold	2,643	1,355	1,288	9,027	(6,384)
Investments purchased (includes purchase of property and equipment)	(18,482)	(13,085)	(5,397)	(2)	(18,480)
Net Cash Provided by/(Used by) Investing Activities	$ (15,839)	$ (11,730)	$ (4,109)	$ 9,025	$ (24,864)
Net Increase/(Decrease) in Cash and Cash Equivalents	(35,912)	(13,352)	(22,560)	7,605	(43,517)
Cash and Cash Equivalents at beginning of year	60,523	60,523	-	3,388	57,135
Unrestricted Cash and Cash Equivalents - Ending	18,824	41,094	(22,270)	3,633	15,191
Restricted Cash and Cash Equivalents - Ending	5,786	6,077	(291)	7,360	(1,574)
Cash and Cash Equivalents - Ending	$ 24,611	$ 47,171	$ (22,560)	$ 10,993	$ 13,618

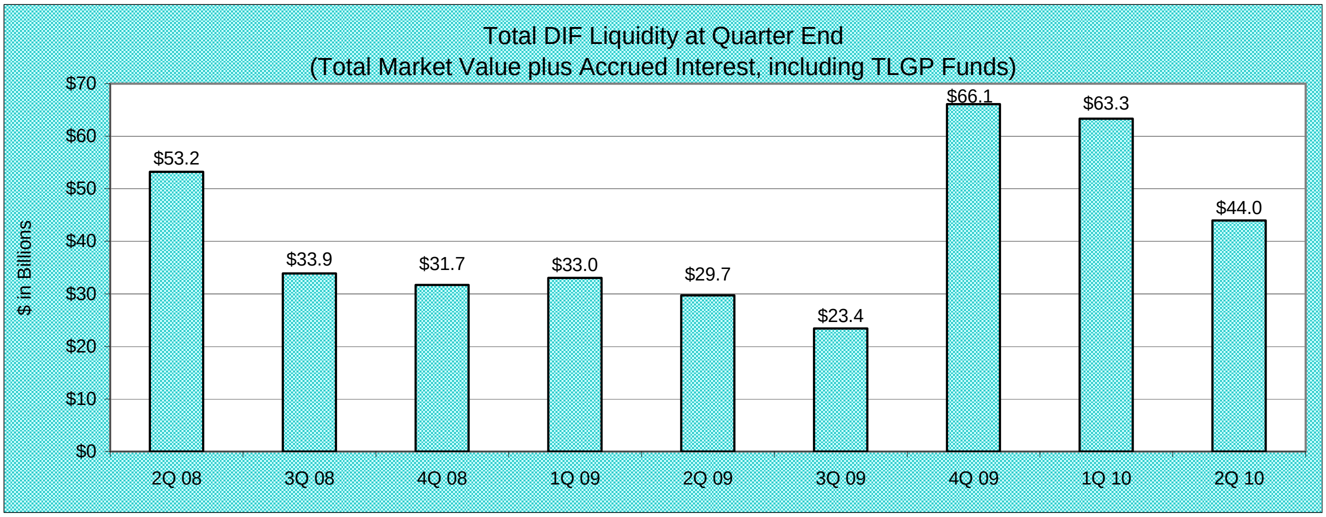
Selected Financial Data

FSLIC Resolution Fund

	Jun-10	Mar-10	Quarterly Change	Jun-09	Year-Over-Year Change
Cash and cash equivalents	$ 3,497	$ 3,476	$ 21	$ 3,459	$ 38
Accumulated deficit, net	(124,284)	(124,328)	44	(123,955)	(329)
Resolution equity	3,570	3,520	50	3,487	83
Total revenue	9	6	3	7	2
Operating expenses	2	1	1	3	(1)
Goodwill/Guarini litigation expenses	-	-	-	-	-
Net (Loss)/Income	$ 65	$ 20	$ 45	$ (7)	$ 72

Receivership Selected Statistics June 2010 vs. June 2009

	DIF			FRF			ALL FUNDS		
Year-to-Date ($ in millions)	Jun-10	Jun-09	*Change*	Jun-10	Jun-09	*Change*	Jun-10	Jun-09	*Change*
Total Receiverships	265	85	180	8	8	-	273	93	180
Assets in Liquidation	$ 39,469	$ 26,467	$ 13,002	$ 29	$ 33	$ (4)	$ 39,498	$ 26,500	$ 12,998
Collections	$ 10,809	$ 4,297	$ 6,512	$ 12	$ 5	$ 7	$ 10,821	$ 4,302	$ 6,519
Dividends Paid - Cash	$ 3,528	$ 3,078	$ 450	$ -	$ -	$ -	$ 3,528	$ 3,078	$ 450



Deposit Insurance Fund Portfolio Summary

(Dollar Values in Millions)

	6/30/10	12/31/09	Change
Par Value	$38,060	$59,268	($21,208)
Amortized Cost	$38,062	$59,286	($21,224)
Market Value	$38,124	$59,428	($21,304)
Primary Reserve [1]	$38,188	$59,525	($21,337)
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Year-to-Date Total Return (Portfolio)	0.080%	0.306%	not applicable
Year-to-Date Total Return (Benchmark) [2]	4.700%	(1.411%)	not applicable
Total Return Variance (in basis points)	(462.0)	171.7	not applicable
Yield-to-Maturity [3]	0.62%	0.49%	0.13%
Weighted Average Maturity (in years)	0.17	0.08	0.09
Effective Duration (in years) [4]			
Total Portfolio	0.16	0.06	0.10
Available-for-Sale Securities	0.32	0.66	(0.34)
Held-to-Maturity Securities [5]	not applicable	not applicable	not applicable

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

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

[3] The Yield-to-Maturity includes the potential yield of Treasury Inflation-Protected Securities (TIPS), which presently assumes an average 1.8% annual increase in the CPI over the remaining life of each TIPS.

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

[5] In early August 2008, management reclassified all of the DIF portfolio's HTM securities as AFS securities effective as of June 30, 2008, because the FDIC could no longer assert it had the positive intent and ability to hold its HTM securities until their maturity dates.

Summary of Other Corporate Investment Portfolios

(Dollar Values in Millions)

	6/30/10	12/31/09	Change
Debt Guarantee Program			
Par Value	$5,788	$6,431	($643)
Book Value	$5,786	$6,431	($645)
Market Value	$5,786	$6,431	($645)
Yield-to-Maturity	0.14%	0.02%	0.12%
Weighted Average Maturity	overnight	overnight	no change
Transaction Account Guarantee Program			
Book Value [6]	$0	$0	$0
Yield-to-Maturity	not applicable	not applicable	not applicable
Weighted Average Maturity	not applicable	not applicable	not applicable
Other Systemic Risk Reserves [7]			
Book Value [6]	$0	$192	($192)
Yield-to-Maturity	not applicable	0.02%	not applicable
Weighted Average Maturity	not applicable	overnight	not applicable
FRF-FSLIC			
Book Value [6]	$3,344	$3,330	$14
Yield-to-Maturity	0.09%	0.02%	0.07%
Weighted Average Maturity	overnight	overnight	no change

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

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

National Liquidation Fund (NLF) Investment Portfolio Summary

(Dollar Values in Millions)

	6/30/10	12/31/09	Change
Book Value [8]	$13,658	$7,223	$6,435
Effective Annual Yield	0.15%	0.11%	0.04%
Weighted Average Maturity (in days)	24	5	19

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

Investment Strategies

DEPOSIT INSURANCE FUND
Strategy as of 2nd Quarter 2010

Purchase up to $15 billion (par value) of available-for-sale (AFS) securities with maturity dates between July 1, 2010, and March 31, 2011, subject to the following additional restrictions: no more than $10 billion (par value) of such securities shall have maturity dates beyond September 30, 2010; and no more than $5 billion (par value) of such securities shall have maturity dates beyond December 31, 2010.

Strategy Changes for 3rd Quarter 2010

Purchase up to $15 billion (par value) of available-for-sale (AFS) securities with maturity dates between October 1, 2010, and June 30, 2011, subject to the following additional restrictions: no more than $10 billion (par value) of such securities shall have maturity dates beyond December 31, 2010; and no more than $3 billion (par value) of such securities shall have maturity dates beyond March 31, 2011.

DEBT GUARANTEE PROGRAM
Strategy as of 2nd Quarter 2010

Purchase up to $2 billion (par value) of AFS securities with maturity dates between July 1, 2010, and March 31, 2011.

Strategy Changes for 3rd Quarter 2010

Purchase up to $2 billion (par value) of AFS securities with maturity dates between October 1, 2010, and June 30, 2011.

NATIONAL LIQUIDATION FUND
Strategy as of 2nd Quarter 2010

Maintain an overnight deposit target floor balance within a range of $15 million to $25 million. Strategically invest the remaining funds in the zero- to 12-month maturity sector.

Strategy Changes for 3rd Quarter 2010

No changes to strategy.

Executive Summary of 2010 Budget and Expenditures
by Major Expense Category
Through June 30, 2010
(Dollars in Thousands)

Major Expense Category	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Ongoing Operations				
Salaries & Compensation	$455,726	$443,225	97%	($12,501)
Outside Services - Personnel	112,932	99,747	88%	(13,185)
Travel	42,167	41,119	98%	(1,048)
Buildings	38,477	36,663	95%	(1,814)
Equipment	36,531	29,607	81%	(6,924)
Outside Services - Other	11,635	9,040	78%	(2,595)
Other Expenses	7,234	5,419	75%	(1,815)
Total Ongoing Operations	**$704,702**	**$664,820**	**94%**	**($39,882)**
Receivership Funding				
Salaries & Compensation	$116,006	$94,303	81%	($21,703)
Outside Services - Personnel	738,927	612,160	83%	(126,767)
Travel	29,516	20,105	68%	(9,411)
Buildings	74,886	102,819	137%	27,933
Equipment	18,829	14,927	79%	(3,902)
Outside Services - Other	12,235	53,505	437%	41,270
Other Expenses	31,133	134,242	431%	103,109
Total Receivership Funding	**$1,021,532**	**$1,032,061**	**101%**	**$10,529**
Total Corporate Operating Budget	**$1,726,234**	**$1,696,881**	**98%**	**($29,353)**
Investment Budget [1]	**$1,089**	**$332**	**30%**	**($757)**
Grand Total	**$1,727,323**	**$1,697,213**	**98%**	**($30,110)**

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

Executive Summary of 2010 Budget and Expenditures by Budget Component and Division/Office Through June 30, 2010 (Dollars in Thousands)				
Division/Office	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Supervision & Consumer Protection	$283,292	$275,538	97%	($7,754)
Information Technology	121,227	95,847	79%	(25,380)
Administration	136,891	136,411	100%	(480)
Resolutions & Receiverships	937,274	947,406	101%	10,132
Legal	113,597	120,989	107%	7,392
Insurance & Research	19,087	19,886	104%	799
Finance	18,579	15,879	85%	(2,700)
Inspector General	18,349	15,493	84%	(2,856)
Corporate University - CEP	14,825	13,613	92%	(1,212)
Corporate University - Corp	9,947	9,072	91%	(875)
Executive Support [1]	16,610	17,020	102%	410
Executive Offices [2]	4,550	3,281	72%	(1,269)
CIO Council	32,006	26,446	83%	(5,560)
Total, Corporate Operating Budget	**$1,726,234**	**$1,696,881**	**98%**	**($29,353)**
Investment Budget [3]				
Information Technology	$1,001	$118	12%	($883)
Resolutions & Receiverships	63	189	300%	126
Insurance & Research	25	25	100%	0
Total, Investment Budget [3]	**$1,089**	**$332**	**30%**	**($757)**
Combined Division/Office Budgets				
Supervision & Consumer Protection	$283,292	$275,538	97%	($7,754)
Information Technology	122,228	95,965	79%	(26,263)
Administration	136,891	136,411	100%	(480)
Resolutions & Receiverships	937,337	947,595	101%	10,258
Legal	113,597	120,989	107%	7,392
Insurance & Research	19,112	19,911	104%	799
Finance	18,579	15,879	85%	(2,700)
Inspector General	18,349	15,493	84%	(2,856)
Corporate University - CEP	14,825	13,613	92%	(1,212)
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CIO Council	32,006	26,446	83%	(5,560)
Grand Total	**$1,727,323**	**$1,697,213**	**98%**	**($30,110)**

1) Executive Support includes the Offices of Diversity and Economic Opportunity, Public Affairs, Ombudsman, Legislative Affairs, Enterprise Risk Management, and International Affairs.

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

3) Budgets for investment projects are approved on a multi-year basis; the year-to-date budget amount reflects the 2010 spending estimates for approved projects.