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

March 30, 2012

MEMORANDUM TO: The Board of Directors

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

Craig Jarvill
Director, Division of Finance

SUBJECT: Fourth Quarter 2011 CFO Report to the Board

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

Executive Summary

- During the fourth quarter of 2011, the Deposit Insurance Fund (DIF) balance increased by $4.0 billion, from $7.8 billion to $11.8 billion (unaudited). This quarterly increase was primarily due to $3.2 billion in assessment revenue and $2.6 billion in revenue from excess Debt Guarantee Program (DGP) fees previously held as systemic risk deferred revenue, partially offset by a $1.5 billion increase in the provision for insurance losses and by $334 million in operating expenses. Over the eight consecutive quarters since the beginning of 2010, the fund balance has increased a total of $32.7 billion.

- During the fourth quarter of 2011, the FDIC was named receiver for 18 failed institutions. The combined assets at inception for these institutions totaled approximately $4.7 billion with a total estimated loss of $1.1 billion. The corporate cash outlay during the fourth quarter for these failures was approximately $595 million.

- Through December 31, 2011, overall Corporate Operating Budget expenditures were below budget by 27 percent ($1.1 billion), largely due to substantial under spending in the Receivership Funding budget component. That component was $0.9 billion, or 42 percent, under budget, while the Ongoing Operations component was only $0.1 billion, or 7 percent, under budget. The variance in the Receivership Funding component was primarily the result of lower-than-budgeted spending for contractual services and operations at the site of failed financial institutions.

I. <u>Corporate Fund Financial Results</u> (See pages 9-10 for detailed data and charts.)

Deposit Insurance Fund (DIF)

- For 2011, the DIF's comprehensive income totaled $19.2 billion compared to comprehensive income of $13.5 billion during 2010. This $5.7 billion year-over-year increase was primarily due to a $3.6 billion decrease in the provision for insurance losses and $2.6 billion in revenue from excess DGP fees previously held as systemic risk deferred revenue, partially offset by a year-to-date net change in the fair value of available-for-sale securities of $285 million (U.S. Treasury obligations and trust preferred securities) and a $112 million decrease in assessments earned.

- As of year-end 2011, the DIF recognized revenue of $2.6 billion for a portion of DGP guarantee fees previously collected and held as systemic risk deferred revenue. In addition, an equal amount of restricted DGP cash and investments were transferred to the DIF investment portfolio. The $2.6 billion relates to fees on debt guarantees that have expired. Because of uncertainties surrounding the outlook for the economy and financial markets, the FDIC will continue to defer recognition of the remaining $5.7 billion in systemic risk deferred revenue. The last DGP debt guarantee will expire on December 31, 2012.

- The provision for insurance losses was negative $4.4 billion for 2011. The negative provision for 2011 primarily resulted from a reduction in the contingent loss reserve due to the improvement in the financial condition of institutions that were previously identified to fail and a reduction in the estimated losses for institutions that failed in prior years.

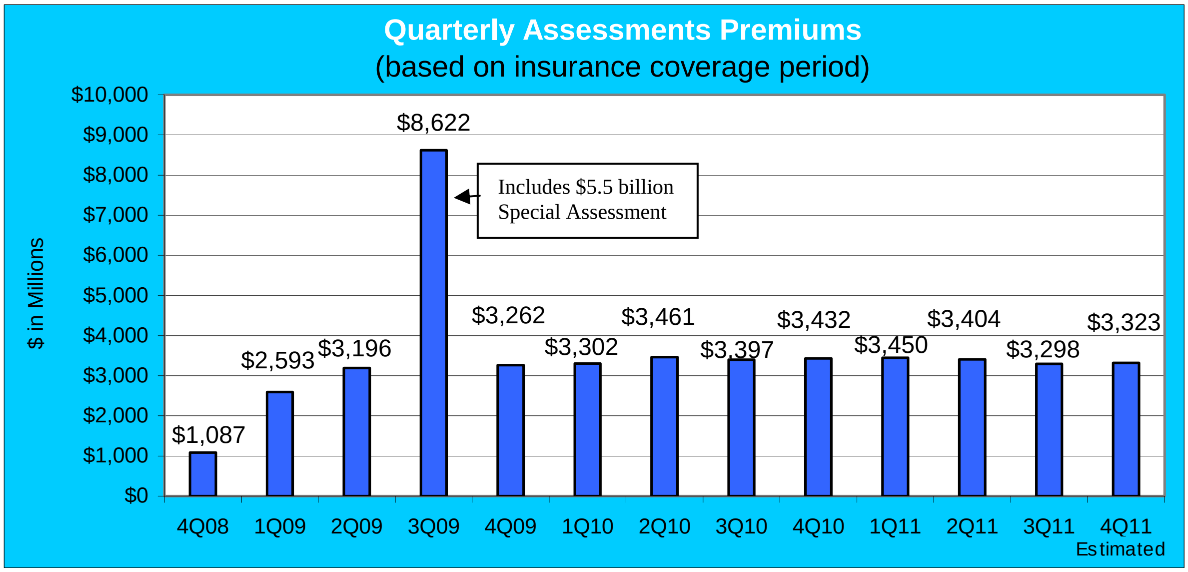
FSLIC Resolution Fund (FRF)

- On December 29, 2011, the FRF paid $50 million as a result of a settlement in the American Savings goodwill case. Five goodwill related cases remain active as of year-end 2011.

- In December, FRF recorded a $44 million receivable for tax benefits as a result of a former FSLIC assistance agreement. This receivable was collected in February 2012.

Assessments

- The DIF recognized $3.2 billion in estimated assessment revenue for fourth quarter 2011 insurance coverage. Of this amount, $3.0 billion was recognized for those institutions that prepaid assessments and $282 million was recorded as a receivable from those institutions that did not prepay assessments. Assessment revenue was reduced by $113 million as a result of actual third quarter assessment collections being slightly lower than estimates that were recorded at September 30, 2011, due to lower than estimated growth in the assessment base and average assessment rates.

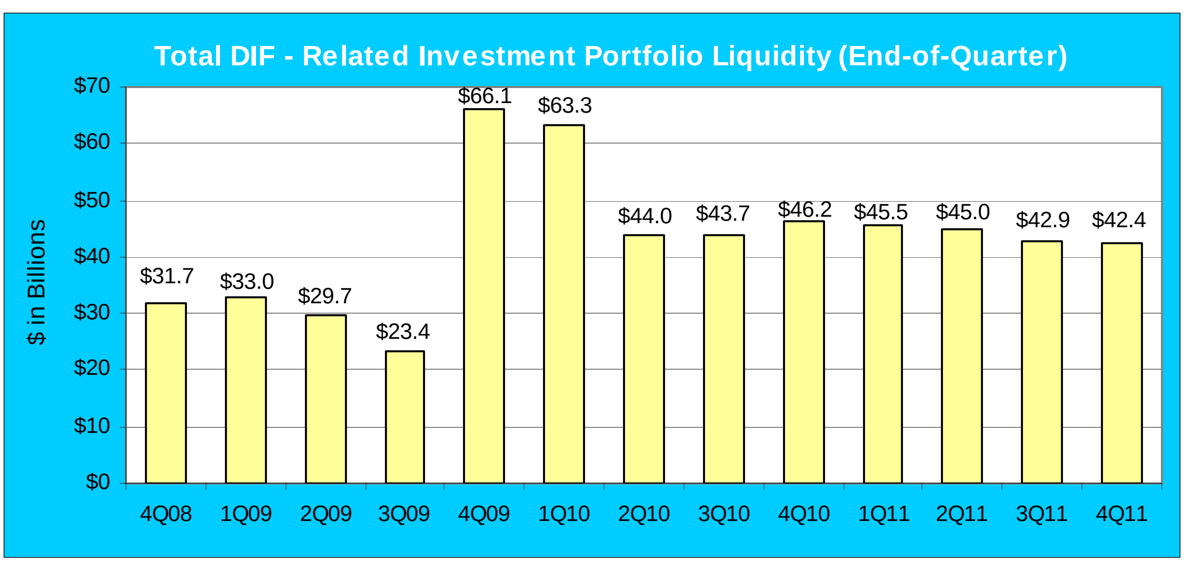


- On December 30, 2011, the FDIC collected $230 million in DIF assessments for third quarter 2011 insurance coverage. The DIF recognized $13.5 billion in assessment revenue for 2011. DIF Unearned Revenue (remaining prepaid assessments) totals $17.4 billion at December 31, 2011.

<u>II. Investment Results</u> (See pages 11-12 for detailed data and charts.)

Total DIF Portfolio Liquidity

- The total liquidity (total market value including accrued interest) of both DIF-related investment portfolios stood at $42.4 billion on December 31, 2011, down $3.8 billion from $46.2 billion on December 31, 2010.



DIF Investment Portfolio

- The DIF investment portfolio's total market value decreased by $2.0 billion during 2011. The decrease was primarily the result of having to fund 92 bank failures during 2011, although it should be noted that 58 of these failures were resolved as cash-conserving loss-share transactions, requiring substantially lower initial resolution payments, thus helping to mitigate the decline in the DIF portfolio's balance. Moreover, during 2011, the DIF received $8.9 billion in dividends and other payments from its receiverships, thus mitigating the DIF portfolio's decline.

- On December 31, 2011, the DIF investment portfolio's yield was 0.41 percent, up a basis point from its December 31, 2010, yield of 0.40 percent. The DIF investment portfolio's total return for 2011 was about 35 basis points, about 641 basis points less than the 6.76 percent total return of its benchmark, the Merrill Lynch 1 – 10 Year Treasury Index (Index). Given that most longer-maturity Treasury yields decreased (that is, Treasury security prices rose) during 2011, the DIF portfolio's large balances of comparatively low yielding overnight investments and short-term Treasury bills and notes could not keep pace with the rise in Treasury prices, hence the underperformance compared to the Index (on average, the Index has longer-duration conventional Treasury securities).

- In accordance with the approved fourth quarter 2011 investment strategy, staff purchased a total of six Treasury securities on two occasions during the fourth quarter of 2011. Staff purchased three short-maturity Treasury notes and purchased three short-maturity Treasury Inflation-Protected Securities (TIPS). The six securities had a total par value of $8.8 billion, a weighted average yield of 0.29 percent (including the TIPS at their potential yield), and a weighted average maturity (WAM) of 0.93 years.

DGP Investment Portfolio

- On December 31, 2011, the DGP investment portfolio stood at about $4.8 billion (total market value), down from its December 31, 2010, balance of $6.6 billion. This decrease in the DGP portfolio was principally due to the DIF recognizing $2.6 billion in deferred revenue (see discussion above), offset by the net transfer of approximately $700 million during 2011 from the DIF portfolio to the DGP portfolio, reversing payments made by the DGP to the DIF for Transaction Account Guarantee Program claims. At year end, the DGP portfolio had a yield to maturity of 0.11 percent and a WAM of 0.21 years. In accordance with the approved fourth quarter 2011 investment strategy for the DGP portfolio, staff purchased three short-maturity Treasury securities during the fourth quarter of 2011. The securities had a total par value of $2.1 billion, a weighted average yield of 0.17 percent, and a WAM of 0.81 years.

III. <u>Budget Results</u> (See pages 13-14 for detailed data.)

Approved Budget Modifications

The 2011 Budget Resolution delegated to the Chief Financial Officer (CFO) and selected other officials the authority to reallocate funds within the 2011 Corporate Operating Budget, provided that such reallocations did not increase the total amount approved for either the Ongoing Operations or Receivership Funding budget components. The following budget reallocations were approved during the fourth quarter in accordance with the authority delegated by the Board of Directors. None of these modifications changed the 2011 Ongoing Operations or Receivership Funding budgets or the total 2011 Corporate Operating Budget approved by the Board.

- In November 2011, the CFO approved the reallocation of $250,000 in budget authority from the Corporate Unassigned budget to the CIO Council's Ongoing Operations budget. These funds were needed to make system changes and enhancements in connection with implementation of new assessment regulations required under the Dodd-Frank Act (DFA) and to enhance datamarts used by the new Office of Complex Financial Institutions (CFI) to monitor systemically-important financial institutions in conjunction with the Corporation's new orderly liquidation responsibilities under DFA. (The CIO Council was ultimately unable to utilize all of the additional funds before the end of the year).

- In December 2011, the CFO approved the reallocation of $235,000 in budget authority from the Corporate Unassigned budget to the Outside Services – Personnel budget of the Chief Financial Officer to pay higher-than-projected expenses associated with the 2010 audit conducted by the Government Accountability Office. In addition, the CFO approved the reallocation of $5,600 in budget authority within the Ongoing Operations budget of the Executive Offices to provide additional travel funds for the Chief Risk Officer and to address other minor funding needs within the Executive Offices.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the year ending December 31, 2011, are defined as those that either (a) exceed the annual budget for a major expense category or total division/office budget, or (b) are under the annual budget for a major expense category or division/office by an amount that exceeds $1 million and represents more than three 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 from the annual budget in all major expense categories in the Ongoing Operations component of the 2011 Corporate Operating Budget:

- Salaries and Compensation expenditures were $63 million, or 6 percent, less than budgeted. The Division of Risk Management Supervision (RMS) spent $18 million less than budgeted, primarily due to the large number of authorized vacancies that were unfilled during the first eight months of the year. RMS did not fill these vacancies because its risk management supervisory workload was substantially lower at the beginning of 2011 than had been projected during the 2011 planning and budget process. After monitoring its workload during the first half of the year, it requested at mid-year that its authorized staffing (and associated budget) be reduced by over 200 positions. In addition, the Legal Division ($8 million), the Division of Resolutions and Receivership (DRR) ($7 million), and CFI ($5 million) all spent less than budgeted in this expense category, largely due to vacancies and delays in hiring.

- Outside Services-Personnel expenditures were $39 million, or 15 percent, less than budgeted. Approximately $8 million of this variance was attributable to under spending by DRR on several planned projects that were delayed or did not occur in 2011. CFI spent $8 million less than budgeted mainly due to slower-than-projected hiring which caused delays in defining contract support requirements. In addition, the Legal Division spent substantially less than budgeted for the ongoing Goodwill litigation (reimbursed to the Department of Justice) and for outside counsel services to support the division's open bank activities. The Office of Inspector General (OIG) spent $4 million less than budgeted because it was operating under a continuing resolution for much of the quarter and because fewer Material Loss Reviews (MLRs) were conducted than planned because of an increase in the minimum MLR threshold enacted in DFA.

- Travel expenditures were $7 million, or 7 percent, less than budgeted. Corporate University (CU) spent $3 million less than budgeted due to less travel than originally planned by Financial Institution Specialists Corporate Employee Program (CEP) as the result of the cancellation of one scheduled class and changes in CEP rotational assignments. OIG spent $2 million less than budgeted due to a lower-than-budgeted on-board staffing level throughout the year that resulted in less regular duty and relocation travel expenses during the year. DOA spent approximately $1 million less than budgeted due to significant savings realized by identifying alternatives to travel, including increased video conferencing and online communications.

- Buildings expenditures were $3 million, or 4 percent, less than budgeted, largely due to postponement of renovations in the Student Residence Center, lower than anticipated expenses for the Headquarters (HQ) space realignment, lower than anticipated facilities maintenance and repair expenses, a reduction in energy consumption, and tenant improvement allowance savings in the Kansas Regional Office, Cincinnati Field Office, and Chicago Regional Office.

- Equipment expenditures were approximately $2 million, or 2 percent, greater than budgeted, primarily due to equipment purchases made to support CIO Council and IT Security projects for which the required funds were budgeted in the Outside Services-Personnel expense category.

- Outside Services-Other expenditures were $8 million, or 34 percent, less than budgeted. The Office of Public Affairs (OPA) spent $5 million less than budgeted after a decision to redirect the office's attention from the overdraft awareness campaign to newer initiatives. In addition, DOA spent $3 million less than budgeted due to lower per unit shipping costs realized by using the General Services Administration's (GSA) Strategic Source initiative, significant savings from obtaining flexible parcel insurance to cover all FDIC freight shipments, and delays in printing projects related to deposit insurance and Money Smart.

- Other Expenses were $5 million, or 23 percent, less than budgeted. The variance was mostly due to significant underutilization of Professional Learning Account funds by individual employees throughout the Corporation.

<u>Receivership Funding</u>

The Receivership Funding component of the 2011 Corporate Operating Budget includes funding for expenses that are incurred in conjunction with insured institution failures and the management and disposition of the assets and liabilities of the ensuing receiverships, except for salary and benefits expenses for permanent employees assigned to the receivership management function.

There were significant spending variances in all major expense categories through the fourth quarter in the Receivership Funding component of the 2011 Corporate Operating Budget:

- Salaries & Compensation ($44 million, or 13 percent, less than budgeted).
- Outside Services-Personnel ($608 million, or 43 percent, less than budgeted).
- Travel ($19 million, or 39 percent, less than budgeted).
- Buildings ($137 million, or 63 percent, less than budgeted).

- Equipment ($6 million, or 27 percent, less than budgeted).

- Outside Services-Other ($15 million, or 55 percent, less than budgeted).

- Other Expenses ($101 million, or 65 percent, less than budgeted).

All of these variances were attributable to the fact that there were fewer insured institution failures during the year than anticipated when the 2011 Receivership Funding budget was developed.

Significant Spending Variances by Division/Office[1]

Thirteen organizational units had significant annual spending variances for 2011.

- DRR spent $805 million, or 43 percent, less than budgeted, mostly due to less-than-budgeted spending for resolution and receivership management activities for the reasons identified above.

- RMS spent $23 million, or 4 percent, less than budgeted. The variance was largely within the Salaries and Compensation expense category ($18 million), as explained above. In addition, Other Expenses were under budget by $2 million due to underutilization of Professional Learning Accounts by RMS employees.

- DOA spent $23 million, or 8 percent, less than budgeted. Almost half ($10 million) of this variance was due to under spending in the Receivership Funding budget component to support the closing of failed financial institutions. In addition, in the Ongoing Operations budget component, substantial savings were realized through lower per unit shipping costs; use of flexible parcel insurance for all FDIC freight shipments; lower negotiated insurance rates; postponement of renovations in the Student Residence Center; lower-than-anticipated expenses for HQ space realignments, lower facility maintenance and repair costs; and reductions in energy consumption and tenant improvement allowances in several regional and field offices.

- The Legal Division spent $17 million, or 5 percent, less than budgeted. This variance was largely due to under spending in the Salaries and Compensation expense category due to slower-than-projected hiring to fill budgeted positions.

- DIT spent $13 million, or 5 percent, less than budgeted. Approximately $8 million of this variance was in the Receivership Funding budget component and was largely attributable to lower than projected expenses for bank closing activities and associated contractor support. In addition, DIT spent $3 million less than budgeted for internal operations due to vacancies in budgeted positions.

- CFI spent $12 million, or 30 percent, less than budgeted. This variance was attributable to lower-than-budgeted spending for contracting services and slower-than-projected hiring to fill budgeted positions.

- The Office of the Inspector General (OIG) spent $11 million, or 27 percent, less than budgeted. The OIG was under a continuing resolution that restricted its spending authority during the first quarter of the Fiscal Year 2012 which effectively limited OIG spending to the level of the Fiscal Year 2011 appropriation. This funding limitation caused delays in filling

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

vacant authorized positions and executing certain procurement actions that resulted in lower-than-anticipated expenditures in the fourth quarter.

- Executive Support Offices spent $10 million, or 27 percent, less than budgeted. This variance was mostly attributable to lower-than-budgeted expenses in OPA for its overdraft awareness campaign as explained above, and delays in hiring within the Executive Support Offices.

- The Division of Finance spent $5 million, or 12 percent, less than budgeted. This variance was attributable to slower-than-expected hiring.

- The Division of Insurance and Research spent $4 million, or 9 percent, less than budgeted. This variance was attributable to unexpected attrition in economist positions and delays in establishing its flexible data environment.

- Corporate University spent $2 million, or 7 percent, less than budgeted in its overall organizational budget (CU-Corporate), primarily due to slower than projected hiring for budgeted positions. It also spent $4 million, or 17%, less than budgeted in its Corporate Employee Program budget (CU-CEP). This variance included under spending of approximately $2 million for travel expenses and approximately $1 million for Salaries and Compensation for new Financial Institution Specialists due to the cancellation of one planned CEP class, changes in rotational assignments in the program, and fewer bank failures than projected.

- The CIO Council spent $3 million, or 4 percent, less than budgeted. This variance was primarily attributable to less-than-anticipated spending on initiatives to support implementation of DFA (they were unable to spend the additional funds provided under the approved budget change referenced above) and late award of a contract for the Customer Communication and Tracking System (CCATS).

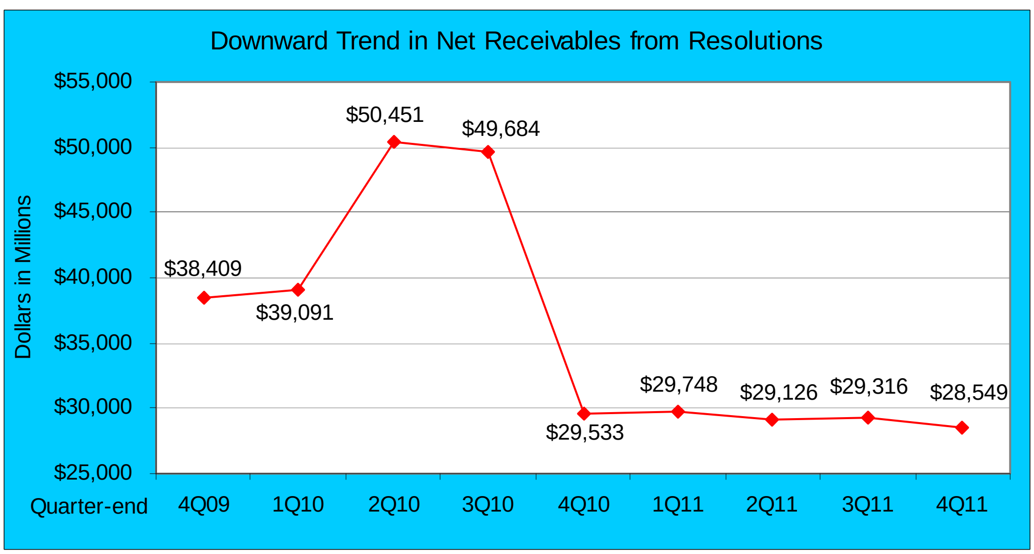
- The Executive Offices spent $1 million, or 15 percent, less than budgeted. This variance was attributable to slower-than-expected hiring.

- The Corporate Unassigned budget of $112 million lapsed unused on December 31, 2011. This source of funds was established to provide an unallocated contingency reserve to meet unanticipated or unbudgeted resource requirements.

Fund Financial Results

($ in Millions)

Balance Sheet	Deposit Insurance Fund				
	Unaudited Dec-11	Sep-11	Quarterly Change	Audited Dec-10	Year-Over-Year Change
Cash and cash equivalents	$ 3,278	$ 9,929	$ (6,651)	$ 27,077	$ (23,799)
Cash and investments - restricted - systemic risk	4,827	7,393	(2,566)	6,647	(1,820)
Investment in U.S. Treasury obligations, net	33,863	25,370	8,493	12,371	21,492
Trust preferred securities	2,213	2,179	34	2,298	(85)
Assessments receivable, net	282	231	51	218	64
Receivables and other assets - systemic risk	1,948	1,834	114	2,269	(321)
Interest receivable on investments and other assets, net	488	320	168	260	228
Receivables from resolutions, net	28,549	29,316	(767)	29,533	(984)
Property and equipment, net	402	401	1	416	(14)
Total Assets	$ 75,850	$ 76,973	$ (1,123)	$ 81,089	$ (5,239)
Accounts payable and other liabilities	374	369	5	514	(140)
Unearned revenue - prepaid assessments	17,400	20,360	(2,960)	30,057	(12,657)
Liabilities due to resolutions	32,791	31,492	1,299	30,512	2,279
Debt Guarantee Program liabilities - systemic risk	117	116	1	29	88
Deferred revenue - systemic risk	6,640	9,101	(2,461)	9,055	(2,415)
Postretirement benefit liability	188	166	22	166	22
Contingent liability for anticipated failures	6,511	7,247	(736)	17,688	(11,177)
Contingent and actual liability for systemic risk	2	9	(7)	120	(118)
Contingent liability for litigation losses	1	300	(299)	300	(299)
Total Liabilities	$ 64,024	$ 69,160	$ (5,136)	$ 88,441	$ (24,417)
FYI: Unrealized gain (loss) on U.S. Treasury investments, net	48	41	7	27	21
FYI: Unrealized gain (loss) on trust preferred securities	251	218	33	336	(85)
FYI: Unrealized postretirement benefit (loss) gain	(34)	(19)	(15)	(19)	(15)
Fund Balance	$ 11,826	$ 7,813	$ 4,013	$ (7,352)	$ 19,178



- Since year-end 2009, the net receivables from resolutions has declined by $9.9 B to $28.5 B at year-end 2011.
- During 2010, the net receivables declined by $8.9 B primarily due to the receipt of cash & non-cash dividends totaling $19.3 B from prior year failures and a $1.3 B increase in the estimated losses for prior year failures, partially offset by $11.1 B of net receivables from current year failures.
- During 2011, the net receivables declined by $1.0 B primarily due to the receipt of cash & non-cash dividends totaling $7.8 B, offset by $5.4 B of net receivables from current year failures and a $0.7 B decrease in the estimated losses for prior year failures.

Fund Financial Results - continued

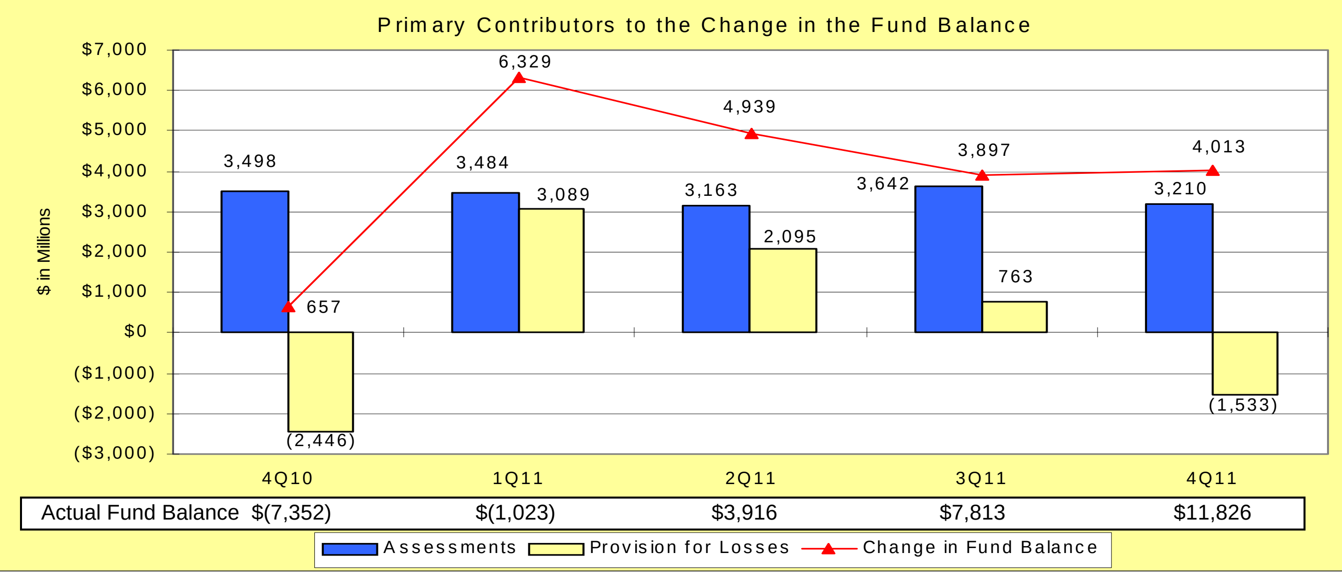
($ in Millions)

Income Statement (year-to-date)	Deposit Insurance Fund Unaudited Dec-11	Sep-11	Quarterly Change	Audited Dec-10	Year-Over-Year Change
Assessments earned	$ 13,498	$ 10,289	$ 3,209	$ 13,610	$ (112)
Systemic risk revenue	(131)	(35)	(96)	(673)	542
Interest on U.S. Treasury obligations	120	95	25	205	(85)
Other revenue	2,854	232	2,622	238	2,616
Total Revenue	$ 16,341	$ 10,581	$ 5,760	$ 13,380	$ 2,961
Operating expenses	1,625	1,291	334	1,593	32
Systemic risk expenses	(131)	(35)	(96)	(673)	542
Provision for insurance losses	(4,414)	(5,947)	1,533	(848)	(3,566)
Insurance and other expenses	4	3	1	3	1
Total Expenses and Losses	$ (2,916)	$ (4,688)	$ 1,772	$ 75	$ (2,991)
Net Income (Loss)	19,257	15,269	3,988	13,305	5,952
Unrealized gain (loss) on U.S. Treasury investments, net	21	14	7	(115)	136
Unrealized gain (loss) on trust preferred securities	(85)	(118)	33	336	(421)
Unrealized postretirement benefit gain (loss)	(15)	-	(15)	(16)	1
Comprehensive Income (Loss)	$ 19,178	$ 15,165	$ 4,013	$ 13,510	$ 5,668

Selected Financial Data	FSLIC Resolution Fund Unaudited Dec-11	Sep-11	Quarterly Change	Audited Dec-10	Year-Over-Year Change
Cash and cash equivalents	$ 3,533	$ 3,528	$ 5	$ 3,548	$ (15)
Accumulated deficit	(124,281)	(124,275)	(6)	(124,224)	(57)
Total resolution equity	3,595	3,551	44	3,568	27
Total revenue	5	6	(1)	13	(8)
Operating expenses	5	3	2	4	1
Goodwill litigation expenses	83	33	50	(53)	136
Payment/Recovery of tax benefits	(18)	26	(44)	(63)	45
Net Income (Loss)	$ (56)	$ (51)	$ (5)	$ 124	$ (180)

Receivership Selected Statistics December 2011 vs. December 2010

$ in millions	DIF			FRF			ALL FUNDS		
	Dec-11	Dec-10	*Change*	Dec-11	Dec-10	*Change*	Dec-11	Dec-10	*Change*
Total Receiverships	426	336	90	5	8	(3)	431	344	87
Assets in Liquidation	$ 20,891	$ 26,974	$ (6,083)	$ 22	$ 25	$ (3)	$ 20,913	$ 26,999	$ (6,086)
YTD Collections	$ 12,334	$ 25,456	$ (13,122)	$ 10	$ 17	$ (7)	$ 12,344	$ 25,473	$ (13,129)
YTD Dividend/Other Pymts - Cash	$ 8,876	$ 13,557	$ (4,681)	$ -	$ -	$ -	$ 8,876	$ 13,557	$ (4,681)



Deposit Insurance Fund Portfolio Summary
(Dollar Values in Millions)

	12/31/11	12/31/10	Change
Par Value	$36,784	$39,430	($2,646)
Amortized Cost	$37,337	$39,483	($2,146)
Total Market Value (including accrued interest)	$37,580	$39,550	($1,970)
Primary Reserve [1]	$37,580	$39,550	($1,970)
Primary Reserve % of Total Portfolio	100.0%	100.0%	0.0%
Year-to-Date Total Return (Portfolio)	0.347%	0.196%	not applicable
Year-to-Date Total Return (Benchmark) [2]	6.756%	5.219%	not applicable
Total Return Variance (in basis points)	(640.9)	(502.3)	not applicable
Yield-to-Maturity [3]	0.41%	0.40%	0.01%
Weighted Average Maturity (in years)	0.66	0.16	0.50
Effective Duration (in years) [4]			
Total Portfolio	0.62	0.15	0.47
Available-for-Sale Securities	0.73	0.46	0.27
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)

	12/31/11	12/31/10	Change
Debt Guarantee Program			
Par Value	$4,764	$6,630	($1,866)
Book Value	$4,807	$6,646	($1,839)
Total Market Value (including accrued interest)	$4,827	$6,647	($1,820)
Yield-to-Maturity	0.11%	0.10%	0.01%
Weighted Average Maturity	0.21	0.14	0.07
Transaction Account Guarantee Program			
Book Value	$0	$0	$0
Yield-to-Maturity	not applicable	not applicable	not applicable
Weighted Average Maturity (in years)	not applicable	not applicable	not applicable
FRF-FSLIC			
Book Value [6]	$3,377	$3,397	($20)
Yield-to-Maturity	0.00%	0.05%	(0.05%)
Weighted Average Maturity	overnight	overnight	no change

[6] Due to the current short-term nature of this portfolio, its respective Par, Book, and Market Values are identical for reporting purposes.

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

	12/31/11	12/31/10	Change
Book Value [7]	$17,052	$17,506	($454)
Effective Annual Yield	0.10%	0.13%	(0.03%)
Weighted Average Maturity (in days)	9	6	3

[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	**Strategy for the 4th Quarter 2011** Purchase up to $12 billion (par value) of available-for-sale (AFS) securities with maturity dates between March 31, 2012, and September 30, 2014, subject to the following additional restrictions: no more than $8 billion (par value) of such securities shall have maturity dates beyond September 30, 2012; and no more than $4 billion (par value) of such securities shall have maturity dates beyond September 30, 2013; and no more than $6 billion of such securities shall consist of Treasury Inflation-Protected Securities. **Strategy Changes for 1st Quarter 2012** Purchase up to $6 billion (par value) of available-for-sale (AFS) securities with maturity dates between June 30, 2012, and December 31, 2014, subject to the following additional restrictions: no more than $4 billion (par value) of such securities shall have maturity dates beyond December 31, 2012; and no more than $2 billion (par value) of such securities shall have maturity dates beyond December 31, 2013; and no more than $3 billion of such securities shall consist of Treasury Inflation-Protected Securities.
Debt Guarantee Program	**Strategy for 4th Quarter 2011** Purchase up to $3 billion (par value) of AFS securities with maturity dates between March 31, 2012, and September 30, 2014. **Strategy Changes for 1st Quarter 2012** Purchase up to $2 billion (par value) of AFS securities with maturity dates between June 30, 2012, and December 31, 2014.
National Liquidation Fund	**Strategy for 4th Quarter 2011** Maintain an overnight deposit target floor balance within a range of $100 million to $300 million. Strategically invest the remaining funds in the zero- to 12-month maturity sector. **Strategy Changes for 1st Quarter 2012** No strategy changes for the First Quarter of 2012

Executive Summary of 2011 Budget and Expenditures by Major Expense Category Through December 31, 2011 (Dollars in Thousands)					
Major Expense Category	Annual Budget	YTD Budget	YTD Expenditures	% of YTD Budget Used	YTD Variance
Corporate Operating Budget					
Ongoing Operations					
Salaries & Compensation	$1,091,454	$1,091,454	$1,028,660	94%	($62,794)
Outside Services - Personnel	262,109	262,110	222,758	85%	(39,352)
Travel	104,994	104,994	98,019	93%	(6,975)
Buildings	80,693	80,693	77,779	96%	(2,914)
Equipment	89,160	89,160	91,351	102%	2,191
Outside Services - Other	24,609	24,609	16,170	66%	(8,439)
Other Expenses	21,659	21,659	16,720	77%	(4,939)
Total Ongoing Operations	**$1,674,679**	**$1,674,679**	**$1,551,457**	**93%**	**($123,222)**
Receivership Funding					
Salaries & Compensation	$330,679	$330,678	$286,606	87%	($44,072)
Outside Services - Personnel	1,402,772	1,402,772	794,363	57%	(608,409)
Travel	48,727	48,727	29,785	61%	(18,942)
Buildings	217,994	217,994	80,599	37%	(137,395)
Equipment	20,224	20,224	14,705	73%	(5,519)
Outside Services - Other	26,516	26,516	11,900	45%	(14,616)
Other Expenses	155,517	155,517	54,504	35%	(101,013)
Total Receivership Funding	**$2,202,429**	**$2,202,429**	**$1,272,462**	**58%**	**($929,967)**
Total Corporate Operating Budget	**$3,877,108**	**$3,877,108**	**$2,823,919**	**73%**	**($1,053,189)**
Investment Budget [1]	**$8,014**	**$8,014**	**$7,686**	**96%**	**($328)**
Grand Total	**$3,885,122**	**$3,885,122**	**$2,831,605**	**73%**	**($1,053,517)**

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
by Budget Component and Division/Office
Through December 31, 2011
(Dollars in Thousands)

Division/Office	Annual Budget	YTD Budget	YTD Expenditures	% of YTD Budget Used	YTD Variance
Corporate Operating Budget					
Risk Management Supervision	$528,371	$528,371	$505,566	96%	($22,805)
Depositor & Consumer Protection	148,196	148,196	143,429	97%	(4,767)
Information Technology	267,265	267,265	254,984	95%	(12,281)
Administration	285,289	285,289	262,491	92%	(22,798)
Resolutions & Receiverships	1,894,658	1,894,658	1,089,183	57%	(805,474)
Legal	313,954	313,954	297,276	95%	(16,678)
Insurance & Research	41,390	41,390	37,605	91%	(3,786)
Finance	38,434	38,434	33,688	88%	(4,746)
Inspector General	40,200	40,200	29,252	73%	(10,948)
Corporate University - CEP	22,598	22,598	18,755	83%	(3,843)
Corporate University - Corporate	22,869	22,869	21,175	93%	(1,694)
Executive Support [1]	37,155	37,155	27,260	73%	(9,895)
Executive Offices [2]	9,904	9,904	8,431	85%	(1,473)
Complex Financial Institutions	38,790	38,790	26,970	70%	(11,820)
Government Litigation	4,796	4,796	9	0%	(4,787)
CIO Council	70,812	70,812	67,846	96%	(2,967)
Corporate Unassigned	112,427	112,427	0	0%	(112,427)
Total, Corporate Operating Budget	**$3,877,108**	**$3,877,108**	**$2,823,919**	**73%**	**($1,053,189)**
Investment Budget [3]					
Information Technology	$8,014	$8,014	$7,686	96%	($328)
Total, Investment Budget [3]	**$8,014**	**$8,014**	**$7,686**	**96%**	**($328)**
Combined Division/Office Budgets					
Risk Management Supervision	$528,371	$528,371	$505,566	96%	($22,805)
Depositor & Consumer Protection	148,196	148,196	143,429	97%	(4,767)
Information Technology	275,279	275,279	262,670	95%	(12,609)
Administration	285,289	285,289	262,491	92%	(22,798)
Resolutions & Receiverships	1,894,658	1,894,658	1,089,183	57%	(805,474)
Legal	313,954	313,954	297,276	95%	(16,678)
Insurance & Research	41,390	41,390	37,605	91%	(3,786)
Finance	38,434	38,434	33,688	88%	(4,746)
Inspector General	40,200	40,200	29,252	73%	(10,948)
Corporate University - CEP	22,598	22,598	18,755	83%	(3,843)
Corporate University - Corporate	22,869	22,869	21,175	93%	(1,694)
Executive Support [1]	37,155	37,155	27,260	73%	(9,895)
Executive Offices [2]	9,904	9,904	8,431	85%	(1,473)
Complex Financial Institutions	38,790	38,790	26,970	70%	(11,820)
Government Litigation	4,796	4,796	9	0%	(4,787)
CIO Council	70,812	70,812	67,846	96%	(2,967)
Corporate Unassigned	112,427	112,427	0	0%	(112,427)
Grand Total	**$3,885,122**	**$3,885,122**	**$2,831,605**	**73%**	**($1,053,517)**

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, Corporate Risk Management, 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.