



August 2, 2007

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 2007 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the period ending June 30, 2007.

Executive Summary

- The Deposit Insurance Fund (DIF) fund balance grew by 0.95 percent to \$51.2 billion during the second quarter of 2007, a decrease of 21 basis points from the growth experienced in the first quarter of 2007. DIF's comprehensive income for the second quarter of 2007 was 17 percent lower compared to the prior quarter (\$482 million vs. \$580 million). This decrease of \$98 million is primarily attributable to the volatility in the market value of DIF's portfolio of available-for-sale securities (AFS) securities. Although the DIF reported higher interest revenue (\$181 million) and an increase in assessment revenue (\$46 million) in the second quarter, this was fully offset by a lower contribution to the year-to-date comprehensive income from unrealized (loss)/gain on AFS securities (second quarter unrealized loss of \$162 million vs. first quarter unrealized gain of \$81 million) and a smaller reduction in the estimated losses for anticipated failures (\$70 million).
- For the six months ending June 30, 2007, Corporate Operating Budget and Investment Budget related expenditures ran below budget by 10 percent and 53 percent, respectively. The variance with respect to the Corporate Operating Budget expenditures was primarily the result of limited resolutions and receivership activities in the Receivership Funding component of the budget through the second quarter. Detailed quarterly reports are provided separately to the Board by the Capital Investment Review Committee for those projects that are included in the Investment Budget.

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	<ul style="list-style-type: none"> Assessment revenue in the second quarter was 49 percent higher than first quarter revenue (\$140 million vs. \$94 million). This increase primarily resulted from a reduction in the amount of assessment credits estimated to be used by financial institutions to offset gross assessments. The trend in higher assessment income is expected to continue as institutions deplete their available credits; through the first two quarters of 2007, institutions are expected to use approximately \$1.6 billion, or 34 percent, of the initial \$4.7 billion one-time assessment credit (second quarter assessments will be collected on September 28, 2007).
II. Investments	<ul style="list-style-type: none"> The DIF portfolio amortized cost (book value) increased by 2.22 percent during the first half of 2007, and totaled \$49.942 billion on June 30, 2007. During the period, newly purchased securities had higher average yields than those of maturing securities. Consequently, the DIF portfolio's yield increased by eight basis points during the first half of 2007, rising to 4.97 percent as of June 30, 2007, from 4.89 percent as of December 31, 2006. Treasury market yields are expected to continue to trade generally within the range exhibited during the latter half of the second quarter of 2007, with the potential for a modest rise from quarter-end levels. This, coupled with a growing DIF investment portfolio balance, should lead to increased interest revenue over the long run.
III. Budget	<ul style="list-style-type: none"> Approximately \$467 million was spent in the Ongoing Operations component of the 2007 Corporate Operating Budget, which was \$21 million (4 percent) below the budget for the six months ending June 30, 2007. The Outside Services - Personnel expense category was \$10 million below its year-to-date budget, and represents 47 percent of the total Ongoing Operations variance. Approximately \$4 million was spent in the Receivership Funding component of the 2007 Corporate Operating Budget, which was \$33 million (88 percent) below the budget for the six months ending June 30, 2007. The Outside Services - Personnel expense category was \$28 million below its year-to-date budget, and represents 84 percent of the total Receivership Funding variance.

I. Corporate Fund Financial Statement Results (See pages 8 - 9 for detailed data and charts.)

Deposit Insurance Fund (DIF)

- For the six months ending June 30, 2007, DIF's comprehensive income totaled \$1.1 billion compared to \$967 million for the same period last year, an increase of 10 percent. Excluding the recognition of exit fees earned of \$346 million (a one-time adjustment), comprehensive income rose by \$441 million, or 71 percent, from a year ago. This year-over-year increase was primarily due to a \$222 million increase in assessment revenue, a \$172 million increase in interest revenue, a \$53 million decrease in the unrealized loss on AFS securities, and a \$24 million increase in the negative provision for insurance loss.
- During the second quarter of 2007, DIF recorded a \$139 million receivable for estimated net assessments due from insured institutions for second quarter 2007 insurance coverage. The receivable was the result of netting \$789 million in credits estimated to be used by financial institutions against \$928 million in estimated gross assessment revenue. In June, DIF also collected \$94 million in cash assessment payments for first quarter insurance coverage.
- During the second quarter of 2007, DIF's net receivables from resolutions declined by \$124 million, or 29 percent, to \$307 million compared to the prior quarter. This reduction was primarily due to dividends from receiverships totaling approximately \$122 million (\$108 million from Southern Pacific and \$14.5 million from Nextbank).

FSLIC Resolution Fund (FRF)

- FRF's net loss was \$22 million for the second quarter of 2007 compared to a \$19 million loss incurred during the first quarter of 2007. The additional loss is primarily due to an increase in interest on U.S. Treasury obligations of \$40 million offset by Goodwill/Guarini expenses of \$64 million.
- During the second quarter of 2007, FRF paid \$74.5 million for a Goodwill case. In addition, FRF accrued expenses for three Goodwill cases which totaled \$64.3 million. All of the Guarini cases have been concluded. However, there are still issues pertaining to attorney fees pending in several of those cases.

II. DIF Investment Results (See pages 10 – 11 for detailed data and charts.)

DIF

- During the first half of 2007, the amortized cost (book value) of the DIF investment portfolio increased by \$1.084 billion or by 2.22 percent—from \$48.858 billion on December 31, 2006, to \$49.942 billion on June 30, 2007. Moreover, during the period, the DIF portfolio's market value increased by \$698 million or by 1.42 percent, from \$49.038 billion on December 31, 2006, to \$49.736 billion on June 30, 2007.
- The DIF investment portfolio's total return for the first half of 2007 was 1.866 percent, approximately 31.2 basis points higher than the return of the benchmark, the Merrill Lynch 1 - 10 Year U.S. Treasury Index (Index), which earned 1.554 percent during the same period. The

outperformance relative to the benchmark can be attributed to two factors: The strong performance of the DIF investment portfolio's Treasury Inflation-Protected Securities (TIPS) holdings, which outperformed the benchmark's conventional securities during the six-month period; and relatively high yields being earned on overnight investments, whose return also exceeded the benchmark return.

- During the second quarter of 2007, staff purchased Treasury securities on seven occasions, purchasing a total of 15 conventional Treasury securities. The purchased securities had a total par value of \$5.400 billion, a weighted average maturity of 9.70 years, a weighted average duration of 6.96 years, and a weighted average yield-to-maturity of 4.95 percent. Consistent with the approved second quarter 2007 investment strategy, one short-term Treasury note, with a maturity of 1.87 years, was designated as AFS. The other 14 securities, with maturities ranging from 7.94 years to 11.84 years, were designated as held-to-maturity (HTM). The total cash outlay for the securities was \$6.407 billion. On June 30, 2007, the DIF portfolio's overnight investment balance was \$978.2 million, which is above the fund's \$150 million target floor balance. Staff continued its recent practice of holding excess funds in higher yielding overnight investments as a reasonable short term investment strategy. That said, the June 30, 2007, overnight investment balance was substantially lower than the March 31, 2007, overnight balance of \$3.709 billion, meaning that staff purchased a larger amount of Treasury securities compared to the amount of net cash received during the quarter, taking advantage of the comparatively high Treasury market yields that became available during much of the latter half of the quarter.
- In line with consensus expectations, yields should continue to trade generally within their current range, but with the potential for a modest rise from quarter-end levels. Similar to the strategy employed during the second quarter, during the third quarter of 2007 staff will take advantage of instances when yields rise toward the upper end of this trading range and accordingly would deploy funds into longer-maturity higher-yielding securities.

The Treasury Market

- During the second quarter of 2007, most conventional Treasury yields increased. The yield changes appeared to primarily stem from investors' concerns that stronger global economic growth may increase inflationary pressures, thus leading to higher global interest rates. During the quarter, yields on three-month and six-month T-Bills decreased; the T-Bill yield declines were the one exception to the general observation noted above. (The yield decline on T-Bill apparently stemmed from technical factors, such as supply and demand factors, rather than fundamental factors). The two-year note yield, which is sensitive to actual as well as anticipated changes in the federal funds rate, increased by 29 basis points during the second quarter, reflecting reduced expectations by most market participants for any federal funds rate cuts later this year. Intermediate-maturity Treasury yields also increased, with the five-year Treasury note yield increasing 39 basis points and the ten-year note yield increasing 38 basis points. The Treasury yield curve ended the second quarter still relatively flat; on June 30, 2007, the ten-year to two-year yield curve spread was a positive 16 basis points (compared to a positive seven-basis point spread at end of the first quarter of 2007). From a recent historical perspective, the curve remains significantly flatter; over the past five years, this spread has averaged 114 basis points.

- During the second quarter of 2007, TIPS real yields increased, reflecting concerns over stronger global economic growth and correspondingly higher global interest rates. For example, the real yield on the DIF portfolio's shortest-maturity TIPS (with a maturity of under one year) increased by 182 basis points during the quarter, while the real yield on the DIF portfolio's longest-maturity TIPS (with a maturity of a little under five years) increased by 58 basis points. The real yield on the ten-year TIPS maturing on January 15, 2017, increased by 45 basis points.

Prospective Strategies

- The current DIF investment strategy provides the flexibility to purchase a wide range of different Treasury securities with varying maturities, depending on Treasury market conditions and developments during the third quarter of 2007. From a longer-term investment perspective, purchasing primarily longer-maturity securities could make sense in light of current and expected near-term market conditions. Thus, similar to the strategy implementation during the second quarter, if higher yields become available—either as a result of a modest upward shift in the yield curve or because of potential yield volatility—the third quarter 2007 strategy allows for purchasing comparatively higher-yielding, longer-maturity Treasury securities.
- The DIF portfolio's primary reserve target floor balance will remain at \$10 billion for the third quarter of 2007. The TIPS target limit will also remain at \$10 billion, while the AFS security target limit is being increased from \$9.0 billion to \$9.5 billion, to ensure that the primary reserve target floor balance can be maintained during the remainder of the year (see attached Approved Investment Strategy).

III. Budget Results (See pages 12 - 13 for detailed data.)

Approved Budget Modifications

During the second quarter of 2007, two modifications were made to the 2007 Corporate Operating Budget and/or authorized staffing, in accordance with the authority delegated by the Board of Directors in the 2007 Budget Resolution:

- The Division of Information Technology (DIT) made numerous reallocations of its existing operating budget among the major expense categories in accordance with Board-delegated authority. However, the net budget change was less than \$1 million to any major expense category. The budget reallocation involved multiple Information Technology (IT) projects in accordance with CIO Council recommendations or internal DIT operations requirements. The budget for midrange software computer support was increased by \$2.2 million (including \$972,800 for the JAVA Unix environment). These reallocations resulted in no net change to the total approved DIT budget.
- A reallocation was made to the operating budgets of all divisions and most offices to properly classify the funds projected to be needed for tuition, fees, and travel associated with the new Professional Learning Accounts (PLA) program. This reallocation will allow us to monitor PLA program utilization and it did not increase or decrease the budgeted

amounts for the program or the overall ongoing operations budget for any division or office.

Status of Spending for the Implementation of Deposit Insurance Reform

The 2007 Corporate Operating Budget approved by the Board of Directors included funding for the continued implementation of Deposit Insurance Reform. Excluding internal salaries and compensation expenses, \$4.9 million was spent on system changes and \$1.8 million was spent on printing and distribution costs in 2006. Through the second quarter of 2007, an additional \$3.0 million (excluding internal salaries and compensation expenses) was spent as follows:

- Approximately \$2.5 million was spent for system development and enhancement activities. In addition, about \$0.6 million was approved by the Change Control Board for additional work that will be undertaken later in the year. A total of \$4.7 million is budgeted in 2007 for systems work related to deposit insurance reform implementation.
- Approximately \$525 thousand was spent for printing and distribution of updated deposit insurance brochures during the first half of 2007. It is anticipated that up to an additional \$675 thousand will be spent revising the Spanish, Korean, and Chinese versions of *Insuring Your Deposits* and *Your Insured Deposits* brochures during 2007.

No funds have yet been spent in 2006 or through June 30, 2007 for the additional staff in the Division of Insurance and Research (DIR) that the Board authorized to support deposit insurance pricing. DIR has selected two new employees for these positions who will start in July.

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, 2007, are defined as those that either (1) exceed the YTD budget by \$2 million and represent more than three percent of the major expense category or total division/office budget; or (2) are under the YTD budget by \$3 million and represent more than five percent of the major expense category or total division/office budget.

Significant Spending Variances by Major Expense Category

Ongoing Operations

There was only one major expense category in which a significant spending variance occurred through the second quarter in the Ongoing Operations component of the Corporate Operating Budget:

- Outside Services-Personnel expenditures were \$10 million, or 14 percent, less than budgeted. A large portion of this variance was due to lower-than-anticipated spending by DIT on system operations, development, and maintenance through the first half of the year. However, current plans to expedite development activities and increase contractual services, along with a 7 percent Information Technology Applications Services (ITAS) labor rate increase that became effective in May, are expected to absorb the DIT variance by year-end. Other factors that contributed to the variance included lower-than-budgeted spending for

government litigation being handled by the Department of Justice, delays in initiating the Identity Theft consumer education campaign, and postponement of the Shared National Credit Modernization initiative until 2008.

Receivership Funding

The Receivership Funding component of the Corporate Operating Budget includes budgeted funding for non-personnel expenses that are incurred in conjunction with an institution failure and the management and disposition of the assets and liabilities of the ensuing receivership. There was one major expense category in which a significant spending variance occurred through the second quarter in the Receivership Funding component of the Corporate Operating Budget:

- Outside Services-Personnel expenditures were \$28 million, or 91 percent, less than budgeted, primarily due to the limited receivership and resolution activity that occurred through the second quarter.

Significant Spending Variances by Division/Office¹

There were three divisions that had a significant spending variance through the second quarter of 2007:

- The Division of Resolutions and Receiverships (DRR) spent \$27 million, or 54 percent, less than budgeted. This variance was fully attributable to under spending in the Receivership Funding component of DRR's operating budget due to the limited receivership and resolution activity that occurred through the second quarter.
- The DIT spent \$11 million, or 11 percent, less than budgeted. Approximately \$4.4 million of the variance occurred in the Ongoing Operations component of the Corporate Operating Budget and reflected lower-than-budgeted expenses during the first six months of the year for contractor services related to systems operations, development, and maintenance as well as the inability to fill personnel vacancies as planned. These budget variances were partially offset by Microsoft maintenance costs realized in June but budgeted in July. DIT's spending from the Investment Budget was \$6.5 million less than anticipated, largely because a major software purchase planned for the Claims Administration System (CAS) investment project was delayed.
- The Legal Division spent nearly \$10 million, or 21 percent, less than budgeted. This variance was largely attributable to under spending in the Receivership Funding component of its operating budget, primarily due to the limited receivership and resolution activity that occurred through the second quarter.

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

FDIC CFO REPORT TO THE BOARD – Second Quarter 2007

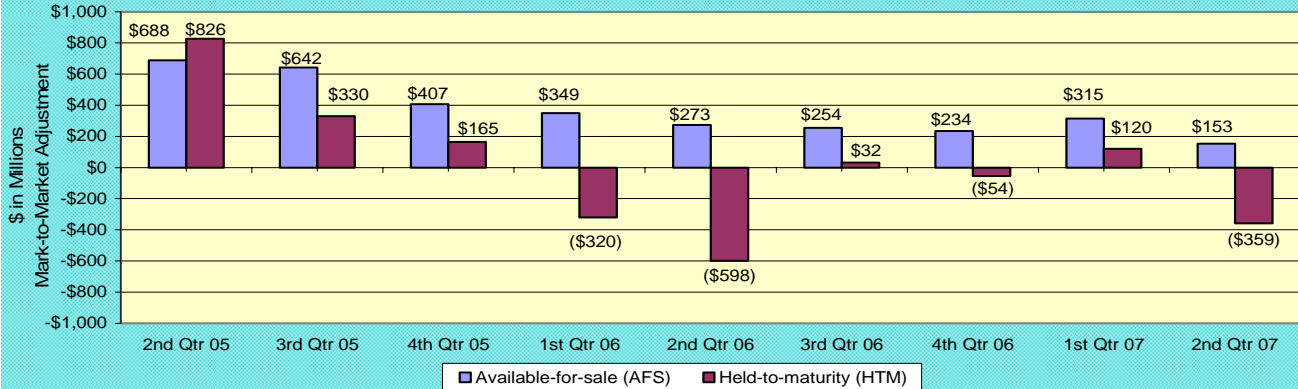
Fund Financial Results

(\$ in millions)

Balance Sheet

	Deposit Insurance Fund				(unaudited) Jun-06
	(unaudited) Jun-07	(audited) Dec-06	Change	% Change	
Cash & cash equivalents	\$ 983	\$ 2,954	\$ (1,971)	(67%)	\$ 749
Investment in U.S. Treasury obligations, net	49,116	46,142	2,974	6%	47,690
Assessments receivable, net	139	0	139	0%	0
Interest receivable on investments and other assets, net	805	748	57	8%	768
Receivables from resolutions, net	307	539	(232)	(43%)	466
Property, buildings and other capitalized assets, net	360	377	(17)	(5%)	370
Total Assets	\$ 51,710	\$ 50,760	\$ 950	2%	\$ 50,043
Accounts payable and other liabilities	122	154	(32)	(21%)	269
Postretirement benefit liability	130	130	0	0%	0
Contingent Liabilities: future failures	31	111	(80)	(72%)	10
Contingent Liabilities: litigation losses & other	200	200	0	0%	200
Total Liabilities	\$ 483	\$ 595	\$ (112)	(19%)	\$ 479
FYI: Unrealized gain on available-for-sale securities	153	234	(81)	(35%)	273
FYI: Unrealized postretirement benefit gain/(loss)	2	2	0	0%	0
FUND BALANCE	\$ 51,227	\$ 50,165	\$ 1,062	2%	\$ 49,564

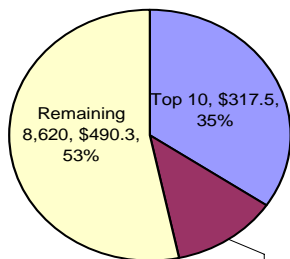
Over the past nine quarters the AFS portion of the DIF's investment portfolio's cumulative unrealized gain gradually declined, whereas the market value of the HTM portion of the investment portfolio experienced greater volatility, and at quarter end, the DIF investment portfolio's total market value was \$206 million less than its amortized cost.



Income Statement

	Deposit Insurance Fund			
	(unaudited) Jun-07	(audited) Dec-06	(unaudited) Jun-06	Year-Over-Year Change
Assessments earned	\$ 234	\$ 32	\$ 12	\$ 222
Interest earned on investment securities	1,315	2,241	1,143	172
Exit fees earned	0	345	346	(346)
Other revenue	6	27	19	(13)
Total Revenue	\$ 1,555	\$ 2,645	\$ 1,520	\$ 35
Operating expenses (includes depreciation expense)	487	951	466	21
Provision for insurance losses	(76)	(52)	(52)	(24)
Other expenses	1	6	5	(4)
Total Expenses & Losses	\$ 412	\$ 905	\$ 419	\$ (7)
Net Income	\$ 1,143	\$ 1,740	\$ 1,101	\$ 42
Unrealized gain/(loss) on available-for-sale securities, net	(81)	(173)	(134)	53
Unrealized postretirement benefit gain/(loss)	0	2	0	0
YTD Comprehensive Income	\$ 1,062	\$ 1,569	\$ 967	\$ 95

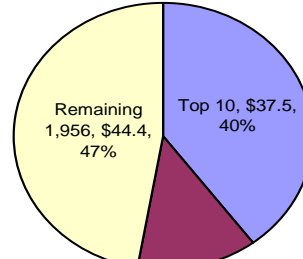
Total 1st Quarter 2007 Gross Assessments
(before credits used)
\$ in millions
Total Gross Assessments = \$918.7



Top 11 thru 25,
\$110.9, 12%

Institutions with the largest gross assessments and cash outlays (net of credit used)

Total 1st Quarter 2007 Assessments Paid
(net of credits used)
\$ in millions
Total Net Assessments = \$94.1

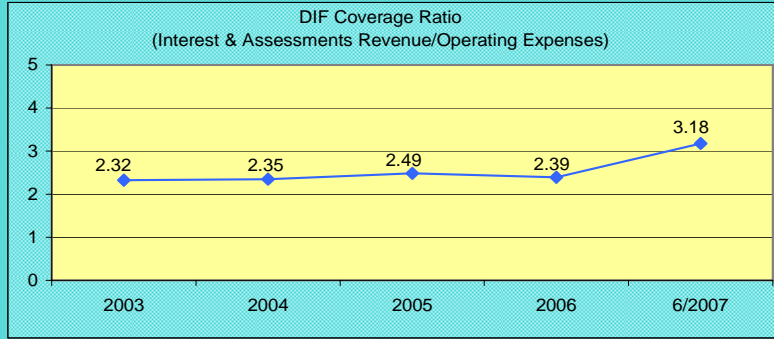


Top 11 thru 25,
\$12.2, 13%

Fund Financial Results - continued

(\$ in millions)

Income Statement - (continued)



Statements of Cash Flows

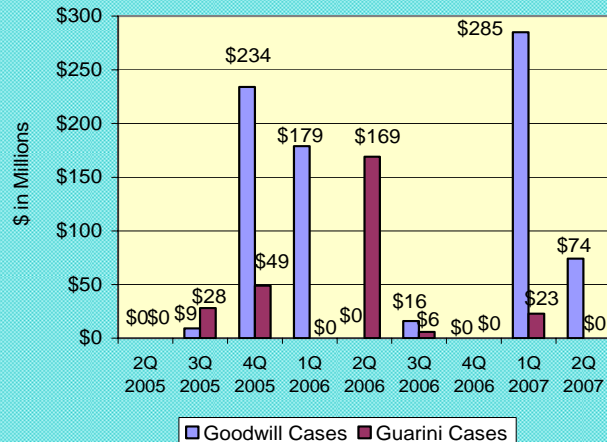
Deposit Insurance Fund

	(unaudited) Jun-07	(audited) Dec-06	(unaudited) Jun-06	Year-Over- Year Change
Net Income	\$ 1,143	\$ 1,740	\$ 1,101	\$ 42
Amortization of U.S. Treasury obligations (unrestricted)	280	599	302	(22)
TIPS Inflation Adjustment	(213)	(109)	(94)	(119)
Depreciation on property and equipment	26	52	26	0
Provision for insurance losses	(76)	(52)	(52)	(24)
Exit fees earned	0	(345)	(346)	346
Net change in operating assets and liabilities	(9)	100	70	(79)
Net Cash Provided by Operating Activities	\$ 1,151	\$ 1,985	\$ 1,007	\$ 144
Investments matured and sold	4,565	6,800	2,430	2,135
Investments purchased (includes purchase of property and equipment)	(7,687)	(9,062)	(5,919)	(1,768)
Net Cash (Used) by Investing Activities	\$ (3,122)	\$ (2,262)	\$ (3,489)	\$ 367
Net Increase (Decrease) in Cash and Cash Equivalents	(1,971)	(277)	(2,482)	511
Cash and Cash Equivalents at beginning of year	2,954	3,231	3,231	(277)
Cash and Cash Equivalents - Ending	\$ 983	\$ 2,954	\$ 749	\$ 234

FSLIC Resolution Fund (FRF)

	(unaudited) Jun-07	(audited) Dec-06	(unaudited) Jun-06	Year-Over- Year Change
Cash and cash equivalents	\$ 3,716	\$ 3,616	\$ 3,506	\$ 210
Accumulated deficit, net	(123,875)	(123,834)	(123,684)	(191)
Resolution equity	3,751	3,620	3,502	249
Total revenue	\$ 106	\$ 169	\$ 80	\$ 26
Operating expenses	2	12	8	(6)
Goodwill/Guarini litigation expenses	167	411	124	43
Net (loss)	\$ (41)	\$ (203)	\$ (53)	\$ 12

FRF Quarterly Payments for Goodwill & Guarini Case Settlements & Judgments



Summary of Goodwill & Guarini Litigation (Inception-to-Date)

	Goodwill		Guarini	
	# of Cases	Amount Paid/ Accrued	# of Cases	Amount Paid
Dismissals/ Time	43	N/A	0	N/A
Settlements	18	\$149 million	3	\$121 million
Judgments	41	\$1,221 million*	5	\$153 million
Pending	20	N/A	0	N/A
Totals	122	\$1,370 million	8	\$274 million

* Four institutions account for 66% of the total Goodwill payments (Glendale Federal Bank - \$382 million, Westfed Holdings, Inc. - \$211 million, LaSalle Talman Bank - \$155 million, and Home Savings of America - \$150 million).

Deposit Insurance Fund Portfolio Summary

(in millions)

	6/30/07	12/31/06	Change
Par Value	\$46,861	\$46,483	\$378
Amortized Cost	\$49,942	\$48,858	\$1,084
Market Value	\$49,736	\$49,038	\$698
Primary Reserve ¹	\$11,974	\$13,911	(\$1,937)
Primary Reserve Target Floor	\$10,000	\$10,000	\$0
Primary Reserve % of Total Portfolio	23.7%	28.0%	(4.3%)
Year-to-Date Total Return (Portfolio)	1.866%	4.056%	not applicable
Year-to-Date Total Return (Benchmark) ²	1.554%	3.571%	not applicable
Total Return Variance (in basis points)	31.2	48.5	not applicable
Yield-to-Maturity ³	4.97%	4.89%	0.08%
Weighted Average Maturity (in years)	4.39	3.57	0.82
Effective Duration (in years) ⁴			
Total Portfolio	3.39	2.82	0.57
Available-for-Sale Securities	1.52	1.80	(0.28%)
Held-to-Maturity Securities	3.91	3.29	0.62

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

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

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

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

National Liquidation Fund (NLF) Investment Portfolio Summary

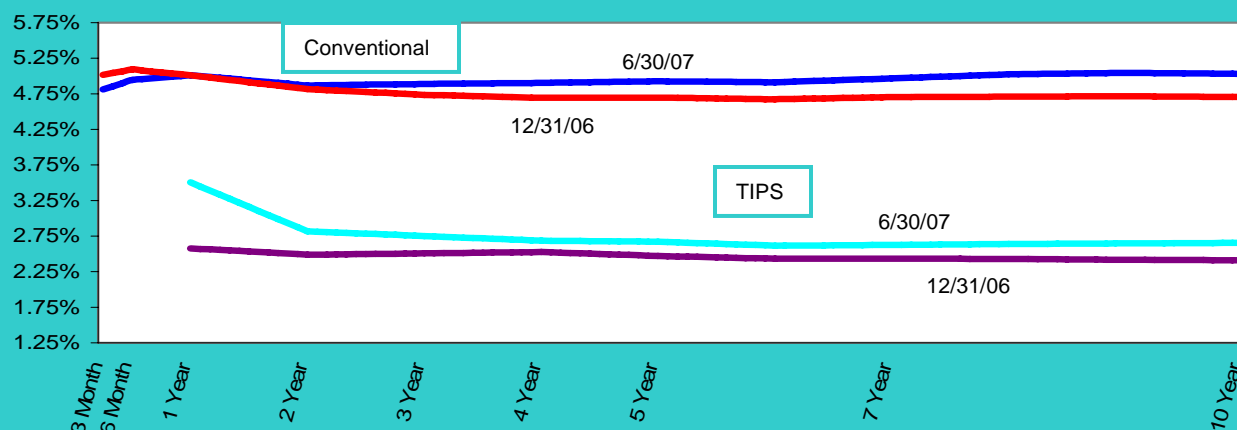
(Dollar Values in Millions)

	6/30/07	12/31/06	Change
Book Value ⁵	\$168	\$381	(\$213) ⁶
Yield-to-Maturity	5.39%	5.37%	0.02%
Weighted Average Maturity (in days)	15	13	2

⁵ Due to the short-term nature of the NLF, the portfolio's Book and Market Values are identical for reporting purposes.

⁶ Much of the significant decline occurred at the end of the second quarter of 2007 as a result of a large receivership dividend payment.

U.S. Treasury Security Yield Curves



Approved Investment Strategy

DEPOSIT INSURANCE FUND

Current Strategy as of 2nd Quarter 2007

Maintain a \$150 million target floor overnight investment balance.

Strategically invest all available funds in excess of the target overnight investment balance, which may include purchasing conventional Treasury securities within the zero- to twelve-year maturity sector, purchasing Treasury Inflation-Protected securities (TIPS) within the two- to ten-year maturity sector, and/or purchasing callable Treasury securities with final maturities not to exceed twelve years, subject to the following limitations:

- TIPS should not total more than \$10.0 billion (adjusted par value) by quarter end;
- Available-for-sale (AFS) securities should not total more than \$9.0 billion (par value) by quarter end; and
- All newly purchased AFS securities should have maturities of six years or less.

Moreover, staff will strive to maintain an \$10 billion target floor primary reserve balance.

Strategy Changes for 3rd Quarter 2007

AFS securities target limit increased from \$9.0 billion to \$9.5 billion.

NATIONAL LIQUIDATION FUND

Current Strategy as of 2nd Quarter 2007

Maintain a \$30 million target floor overnight investment balance.

Strategically invest the remaining funds in the zero- to 12-month maturity sector.

Strategy Changes for 3rd Quarter 2007

None

**Executive Summary of 2007 Budget and Expenditures
by Major Expense Category
Through June 30, 2007
(Dollars in Thousands)**

Major Expense Category	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
<i>Ongoing Operations</i>				
Salaries & Compensation	\$326,113	\$317,102	97%	(\$9,011)
Outside Services - Personnel	73,232	63,071	86%	(10,161)
Travel	25,738	24,915	97%	(823)
Buildings	33,345	32,868	99%	(477)
Equipment	15,189	17,022	112%	1,833
Outside Services - Other	8,967	7,826	87%	(1,141)
Other Expenses	5,426	3,728	69%	(1,698)
Total Ongoing Operations	\$488,010	\$466,532	96%	(\$21,478)
<i>Receivership Funding</i>				
Salaries & Compensation	\$1,710	\$294	17%	(\$1,416)
Outside Services - Personnel	30,673	2,782	9%	(27,891)
Travel	2,823	714	25%	(2,109)
Buildings	1,150	469	41%	(681)
Equipment	113	13	12%	(100)
Outside Services - Other	272	58	21%	(214)
Other Expenses	759	18	2%	(741)
Total Receivership Funding	\$37,500	\$4,348	12%	(\$33,152)
Total Corporate Operating Budget	\$525,510	\$470,880	90%	(\$54,630)
Investment Budget ¹	\$12,371	\$5,857	47%	(\$6,514)
Grand Total	\$537,881	\$476,737	89%	(\$61,144)

1) Budgets for investment projects are approved on a multi-year basis; the "Year-to-Date Budget" amount reflects the 2007 spending estimates for approved projects. Detailed quarterly reports on the status of those projects are provided separately to the Board by the Capital Investment Review Committee.

**Executive Summary of 2007 Budget and Expenditures
by Budget Component and Division/Office
Through June 30, 2007
(Dollars in Thousands)**

Division/Office	YTD Budget	YTD Expenditures	% of Budget Used	Variance
<i>Corporate Operating Budget</i>				
Supervision & Consumer Protection	\$194,339	\$190,301	98%	(\$4,038)
Information Technology	86,073	81,673	95%	(4,400)
Administration	78,600	74,552	95%	(4,048)
Resolutions & Receiverships	49,390	22,546	46%	(26,844)
Legal	46,289	36,538	79%	(9,751)
Insurance & Research	18,583	16,591	89%	(1,992)
Finance	15,132	14,331	95%	(801)
Inspector General	12,525	11,586	93%	(939)
Corporate University	12,988	12,739	98%	(249)
Executive Support ¹	8,410	7,718	92%	(692)
Executive Offices ²	2,181	2,305	106%	124
Government Litigation	1,000	0	0%	(1,000)
Total, Corporate Operating Budget	\$525,510	\$470,880	90%	(\$54,630)
<i>Investment Budget ³</i>				
Information Technology	\$12,096	\$5,561	46%	(\$6,535)
Resolutions & Receiverships	71	209	294%	138
Insurance & Research	204	87	43%	(117)
Total, Investment Budget ³	\$12,371	\$5,857	47%	(\$6,514)
<i>Combined Division/Office Budgets</i>				
Supervision & Consumer Protection	\$194,339	\$190,301	98%	(\$4,038)
Information Technology	98,169	87,234	89%	(10,935)
Administration	78,600	74,552	95%	(4,048)
Resolutions & Receiverships	49,461	22,755	46%	(26,706)
Legal	46,289	36,538	79%	(9,751)
Insurance & Research	18,787	16,678	89%	(2,109)
Finance	15,132	14,331	95%	(801)
Inspector General	12,525	11,586	93%	(939)
Corporate University	12,988	12,739	98%	(249)
Executive Support ¹	8,410	7,718	92%	(692)
Executive Offices ²	2,181	2,305	106%	124
Government Litigation	1,000	0	0%	(1,000)
Grand Total	\$537,881	\$476,737	89%	(\$61,144)

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

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

3) Budgets for investment projects are approved on a multi-year basis; the "Year-to-Date Budget" amount reflects the 2007 spending estimates for approved projects. Detailed quarterly reports on the status of those projects are provided separately to the Board by the Capital Investment Review Committee.