



April 25, 2008

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: First Quarter 2008 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the period ending March 31, 2008.

Executive Summary

- The Deposit Insurance Fund (DIF) balance grew by one percent (\$430 million) to \$52.843 billion during the first quarter of 2008, a decrease of 26 percent compared to a year ago. Although two banks failed during the quarter, their resolution had a nominal effect on the DIF's comprehensive income.
- On January 25, 2008, the Office of the Comptroller of the Currency closed Douglass National Bank of Kansas City, Missouri, and named the FDIC as receiver. Liberty Bank and Trust of New Orleans, Louisiana, assumed all of the deposits and purchased most of the assets of the failed bank. DIF recorded a \$50 million receivable from the receivership for the payments made by DIF to cover obligations to insured depositors. In addition, an allowance for loss of \$6 million was recorded against the resolution receivable.

On March 7, 2008, the Commissioner of Missouri's Division of Finance closed Hume Bank of Hume, Missouri, and named the FDIC as receiver. Security Bank of Rich Hill, Missouri, assumed the failed bank's insured deposits and purchased approximately \$3 million in assets. The FDIC recorded a \$14 million receivable from the receivership for the payments made by DIF to cover obligations to insured depositors. In addition, DIF recorded an allowance for loss of \$3 million against the resolution receivable.

- For the three months ending March 31, 2008, Corporate Operating and Investment Budget related expenditures ran below budget by 12 percent and 16 percent, respectively. The variance with respect to the Corporate Operating Budget expenditures was primarily the result of lower spending for contractual services in both the Ongoing Operations and Receivership Funding components of the budget during the quarter. Detailed quarterly reports are provided separately to the Board by the Capital Investment Review Committee for those information technology 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"> The DIF fund balance is projected to increase by \$2.8 billion, from \$52.4 billion at year-end 2007 to \$55.2 billion by year-end 2008. Assuming assessable and insured deposit growth of four percent, the reserve ratio is projected to reach the 1.25 percent designated reserve ratio early in 2009. The main component of the fund balance increase is net assessment revenue, which reaches \$2.7 billion in 2008 as the available assessment credits continue to be depleted. Also contributing to the increase is investment income exceeding operating expenses by \$1.2 billion in 2008. Provision for insurance losses (including losses from failures) reduces the increase in comprehensive income and is projected to rise in 2008 to \$1.1 billion.
II. Investments	<ul style="list-style-type: none"> The DIF investment portfolio's amortized cost (book value) increased by 1.49 percent during the first quarter of 2008, and totaled \$51.219 billion on March 31, 2008. At quarter end, the DIF's portfolio yield was 4.45 percent, down about 27 basis points from its December 31, 2007, yield of 4.72 percent. A large factor behind this decline was that securities totaling \$3.040 billion with a high weighted average yield of 5.77 percent matured during the first quarter. During the quarter, staff deferred purchases of conventional Treasury securities in light of depressed Treasury yields. All available funds were invested in overnight investments. At quarter end, overnight investments totaled \$8.079 billion, or about 14.8 percent of the total portfolio as measured by market value. During the quarter, overnight investments averaged about 2.65 percent on a bond equivalent basis. However, on March 31, 2008, overnight investments had a bond equivalent yield of 1.45 percent. Thus, the DIF portfolio's average yield at quarter-end reflected a large amount of previously high yielding Treasury securities now being invested in lower yielding overnight investments. Treasury market yields declined dramatically during the first quarter of 2008, reflecting concerns over the U.S. economy possibly heading into recession and reflecting the substantial cuts in the federal funds target rate; the rate was cut three times during the quarter, for a total decline of 200 basis points, from 4.25 percent to 2.25 percent. Treasuries also rallied in response to "flight to quality" trades by investors seeking the safety of Treasuries in the face of financial market turmoil. During the second quarter of 2008, Treasuries are expected to trade generally within the range exhibited during the last few weeks of the first quarter, as many investors are expecting further reductions in the federal funds target rate and are concerned the U.S. economy may already be in a recession.

Trends and Outlook	
Financial Results	Comments
	<ul style="list-style-type: none"> At the end of the first quarter of 2008, the DIF portfolio's available-for-sale (AFS) securities had unrealized gains of \$485.9 million. Market consensus expectations are for Treasury yields to gradually rise over the second half of 2008, which would likely reduce these unrealized gains. However, regardless of changes in yields, existing net unrealized gains will be reduced due to the passage of time (that is, any unrealized gains or losses vanish as AFS securities approach their maturity dates).
III. Budget	<ul style="list-style-type: none"> Approximately \$235 million was spent in the Ongoing Operations component of the 2008 Corporate Operating Budget, which was \$23 million (9 percent) below the budget for the three months ending March 31, 2008. The Outside Services - Personnel expense category was approximately \$10 million below its year-to-date budget, and the Salaries and Compensation category was almost \$8 million below its year-to-date budget. Together, these two categories represented 78 percent of the total Ongoing Operations variance. Approximately \$9.4 million was spent in the Receivership Funding component of the 2008 Corporate Operating Budget, which was \$9.3 million (50 percent) below the budget for the three months ending March 31, 2008. The Outside Services - Personnel expense category was \$9.1 million below its year-to-date budget, and represented 97 percent of the total Receivership Funding variance. The variance was primarily due to the limited receivership and resolution activity during the quarter.

I. Corporate Fund Financial Statement Results (See pages 9 - 10 for detailed data and charts.)

Deposit Insurance Fund (DIF)

- For the three months ending March 31, 2008, DIF's comprehensive income totaled \$430 million compared to \$580 million for the same period last year, a decrease of \$150 million or 26 percent. This year-over-year decrease was primarily due to a \$598 million increase in the provision for insurance losses, which was offset in part by a: 1) \$354 million increase in assessment revenue; 2) \$51 million increase in interest revenue from UST obligations; and 3) \$46 million increase in the unrealized gain on available-for-sale securities.
- DIF recorded a \$442 million receivable for estimated net assessments due from insured institutions for first quarter 2008 insurance coverage. The receivable was the result of netting approximately \$563 million in credits against approximately \$1.005 billion in gross assessment revenue. During the month of March, DIF also collected \$251 million in cash assessment payments for fourth quarter 2007 insurance coverage, exceeding the estimated receivable by approximately \$6 million.

- The provision for losses for the first quarter of 2008 was \$525 million, consisting primarily of a \$458 million increase to the estimated losses for future failures and a \$67 million upward adjustment to the estimated losses for prior year failures (including \$42 million for the NetBank receivership and \$16 million for the Miami Valley Bank receivership, both of which failed during 2007).

FSLIC Resolution Fund (FRF)

- For the first quarter of 2008, FRF reported a net loss of \$55 million. This loss was primarily related to Goodwill litigation expenses/losses that were partially offset by interest earned on U.S. Treasury obligations.
- In addition to the aforementioned Goodwill litigation expenses/losses, FRF paid Goodwill judgments for two cases in the aggregate amount of \$35.4 million that were accrued for in the prior year.

II. DIF Investment Results (See pages 11 – 12 for detailed data and charts.)

- The amortized cost (book value) of the DIF investment portfolio increased by \$750 million or by 1.5 percent—from \$50.469 billion on December 31, 2007, to \$51.219 billion on March 31, 2008. Moreover, reflecting the Treasury rally during the period, the DIF portfolio's market value increased by \$2.113 billion or by 4.0 percent, from \$52.378 billion on December 31, 2007, to \$54.491 billion on March 31, 2008.
- The DIF investment portfolio's total return for the first quarter of 2008 was 3.734 percent, approximately 72 basis points less than its benchmark, the Merrill Lynch 1 - 10 Year U.S. Treasury Index (Index), which had a total return of 4.455 percent during the same period. Given the significant rise in Treasury security prices during the quarter, the DIF portfolio's large cash balance acted as a drag on total return performance.
- During the first quarter of 2008, consistent with the approved quarterly Corporate investment strategy, staff deferred purchases of Treasury securities in light of the comparatively low Treasury yields available during the quarter. On March 31, 2008, the DIF portfolio's overnight investment balance was \$8.079 billion, well above its \$150 million target floor balance.

The Treasury Market

- During the first quarter of 2008, conventional Treasury yields decreased substantially, reflecting three cuts in federal funds target rate during the quarter totaling 200 basis points, and reflecting market sentiment for additional cuts in the target rate during next couple of quarters. In addition, Treasuries also rallied in response to “flight to quality” trades by investors seeking the relative safety of Treasury securities. In the first quarter, yields on three-month and six-month T-Bills decreased by 192 basis points and 191 basis points, respectively. The two-year note yield, which is also sensitive to actual as well as anticipated changes in the federal funds rate, decreased by 147 basis points, again, reflecting the aforementioned cuts in the federal funds target rate and reflecting expectations for additional rate cuts. Intermediate-maturity Treasury yields also decreased dramatically over the course of the quarter. The yield on the five-year Treasury note decreased by 100 basis points; the yield on the ten-year Treasury note

decreased by 61 basis points. The conventional Treasury yield curve steepened during the first quarter of 2008; on March 31, 2008, the two-year to ten-year yield curve had a 183-basis point positive spread (compared to positive 97-basis point spread at the beginning of the quarter). Over the past five years, this spread has averaged 96 basis points.

- During the first quarter of 2008, Treasury Inflation-Protected Securities' (TIPS) real yields decreased dramatically, reflecting lower actual and anticipated interest rates and concerns over weak economic growth. The magnitude of the declines was in line with the yield declines of comparable maturity conventional Treasury yields. The real yield of the DIF portfolio's short-maturity TIPS (with a maturity of little under one-year at the end of the quarter) decreased by 169 basis points during the quarter. The real yield on the portfolio's longest-maturity TIPS (with a maturity of just under four years) decreased by 100 basis points. The real yield on the 10-year TIPS maturing on January 15, 2017, decreased by 65 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 second quarter of 2008. In line with consensus expectations, Treasury yields should continue to trade generally within their current range, with the potential for a modest rise from quarter-end levels. During the second quarter of 2008, if appropriate, staff may take advantage of rising yields by purchasing short- to intermediate-maturity conventional Treasury securities and TIPS.
- As part of the DIF portfolio's approved first quarter 2008 investment strategy, an objective was established to reach a \$15 billion primary reserve target floor balance, which was achieved; at quarter-end, the DIF portfolio's primary reserve stood at \$17.208 billion. The DIF portfolio's second quarter 2008 investment strategy maintains the strategic objective of increasing the primary reserve, with newly purchased Treasury securities being designated AFS.
- The current DIF investment strategy provides for purchasing AFS conventional Treasury securities with maturities of six years or less, for purchasing AFS TIPS, and for holding excess overnight investments, depending on Treasury market conditions and developments during the second quarter of 2008. Any securities purchased during the quarter will be designated AFS. As with recent quarterly investment strategies, conventional AFS securities will be limited to maturities of six years or less, as a means to help control fund balance volatility. (See attached Approved Investment Strategy.)

III. Budget Results (See pages 13 - 14 for detailed data.)

Approved Budget and Staffing Modifications

Three modifications were made to the 2008 Corporate Operating Budget and/or authorized staffing, in accordance with the authority delegated by the Board of Directors in the 2008 Budget Resolution:

- In January 2008, several divisions and offices reallocated budget authority among major expense categories, largely to facilitate 2008 budget execution. These reallocations did not

change the total 2008 Corporate Operating Budget or the budgets of individual divisions or offices as approved by the Board of Directors in December 2007. The largest reallocation was made by the Division of Information Technology (DIT), which reallocated over \$4 million from the Equipment category to other categories within its budget. This change was prompted by a late 2007 budget reallocation that made funds available to purchase equipment in 2007 rather than 2008. The total of these adjustments increased Outside Services – Personnel by \$4,142,239, Travel by \$573,736, and Buildings by \$212,000. This was offset by decreasing Equipment by \$4,073,852, Other Expenses by \$770,766, and Outside Services – Other by \$83,357.

- In February 2008, the Deputy to the Chairman and Chief Financial Officer (CFO) approved a budget adjustment that affected all divisions and offices, except for the Office of Inspector General, to implement changes to the pilot Professional Learning Accounts (PLA) program approved by the Corporate University Governing Board in early 2008. There was no net change in the total Board-approved budget, but funds were shifted among divisions and offices and major expense categories. The Division of Supervision and Consumer Protection and the Corporate University had the largest net budget increases (\$215,377 and \$104,011, respectively). The Division of Information Technology and the Division of Administration had the largest net budget reductions (\$166,465 and \$90,103, respectively).
- In April 2008, the CFO approved an increase in authorized staffing for the Division of Resolution and Receiverships (DRR) from 223 to 331. This increase included 39 new permanent positions and 69 non-permanent positions (for up to two years, with possible extensions based upon workload). In addition, the Chairman authorized DRR to increase its planned temporary over-hiring from 19 to 30.¹ The increase in permanent staff was based on a reassessment of the appropriate size of the staffing platform needed to maintain readiness and fulfill DRR's ongoing mission in light of current conditions. The temporary staffing increase was approved based on the potential increase in the number of institution failures. This was a proactive measure to address possible workload that might not fully materialize, but was deemed necessary to handle an increase in pre-failure workload and to ensure that we are prepared to handle any failures that occur. DRR plans to reallocate approximately \$5.4 million from the Outside Services-Personnel category to the Salaries and Compensation category in its Receivership Funding budget to cover the cost of the non-permanent staff to be hired. Funds will be reallocated at the corporate level to DRR's Ongoing Operations budget to provide funding for the additional permanent staff to be hired. No increase is expected to be necessary in the total 2008 Corporate Operating Budget.

The 2008 Investment Budget spending projection for the 4C project (formerly the Asset Servicing Technology Enhancement Project) was increased by \$747,114 following the release of \$775,000 in contingency funds by the Capital Investment Review Committee (CIRC) in March.

¹ In December 2007, the Board of Directors, in conjunction with its approval of the 2008 Corporate Operating Budget, authorized DRR to exceed its authorized staffing level on a temporary basis. This "temporary overhire" authority was intended to facilitate orderly succession management within DRR in light of an unusually large number of projected retirements during the ensuing five years. Based on the Corporation's retirement projections, DRR staffing is expected to return to authorized levels by year-end 2010.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the three months ending March 31, 2008, are defined as those that either (1) exceed the YTD budget by \$3 million and represent more than five percent for a major expense category or total division/office budget; or (2) are under the YTD budget for a major expense category or division/office by an amount that exceeds \$5 million and represents more than ten 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 that incurred a significant spending variance during the first quarter in the Ongoing Operations component of the 2008 Corporate Operating Budget:

- Outside Services-Personnel expenditures were \$10 million, or 24 percent, less than budgeted. The variance was largely due to the fact that DIT budgeted funds in the first quarter for some projects which will now begin later in the year and/or require less funding than budgeted. The excess funds are expected to be reallocated to other projects that require additional funds during the second and third quarters. The Chief Information Officer Council (CIO) has approved the realignment of schedules and revised spending plans for these projects. Those adjustments will be considered during the mid-year budget review process. The variance was also due to lower net costs for the Student Residence Center (because of increased proceeds derived from use of the facility from outside parties) and lower-than-budgeted spending for contractual services in three areas: human resources, nationwide administrative services, and personnel security.

Receivership Funding

The Receivership Funding component of the Corporate Operating Budget includes budgeted funding for non-personnel expenses that are incurred in conjunction with institution failures and the management and disposition of the assets and liabilities of the ensuing receiverships. Receivership Funding also includes all salary and compensation costs of employees hired on a non-permanent basis for actual or anticipated increases in receivership and resolution activities.

There was one major expense category in which a significant spending variance occurred during the first quarter in the Receivership Funding component of the 2008 Corporate Operating Budget:

- Outside Services-Personnel expenditures were \$9 million, or 59 percent, less than budgeted, primarily due to the limited receivership and resolution activity that occurred during the quarter.

Significant Spending Variances by Division/Office²

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

- The Division of Information Technology (DIT) spent \$10 million, or 17 percent, less than budgeted. DIT spent \$8.8 million less than budgeted in the ongoing operations component of its budget, largely due to lower contractual spending for application development, operations, and maintenance activities. Adjustments to application development project schedules and budgets have been approved by the CIO Council and will be considered during the mid-year budget review process. DIT also deferred equipment spending initially budgeted in the first quarter to later in the year and spent \$1.0 million less than estimated during the first quarter for approved Investment Budget projects that are monitored and reported to the Board separately by the CIRC.
- DRR spent \$5 million, or 22 percent, less than budgeted. This variance was fully attributable to under spending in the Receivership Funding component of its operating budget due to the limited receivership and resolution activity that occurred during the quarter.
- The Legal Division spent \$5 million, or 22 percent, less than budgeted. Approximately \$3.8 million of this variance was due to under spending in the Receivership Funding component of the division's operating budget due to the limited receivership and resolution activity that occurred during the quarter. Spending in the Ongoing Operations budget component was nearly \$1.5 million below budget for the quarter because hiring did not occur as quickly as anticipated and retirements in late 2007 exceeded projections.

Other Matters

The 2008 Budget Resolution approved by the Board on December 19, 2007, delegated to the Chief Financial Officer the authority to “make necessary administrative adjustments to the salaries and compensation expense category of the 2008 Corporate Operating Budget” for certain factors not determined at the time of the budget adoption. In accordance with that delegation of authority, we have completed an analysis of projected 2008 salary and fringe benefit expenses, based on actual expenses through March 31, 2008. Locality pay, annual pay adjustments and lump sum/bonus payments were effective in February and first reflected in the March accounting records.

Our analysis indicates that 2008 salaries and fringe benefit costs were over-estimated by approximately \$1.6 million (0.2% of the Salaries and Compensation expense category) in the formulation of the 2008 Corporate Operating Budget. This was largely offset, however, by an increase in the 2008 pay adjustment for FDIC employees – on January 10, 2008, Chairman Bair and the President of NTEU jointly announced an interim change to the Pay For Performance (PFP) program that will cost approximately \$1.5 million in 2008.

Accordingly, we have determined that no adjustment should be made to the Salaries and Compensation category of the 2008 Corporate Operating Budget that was previously approved by the Board of Directors.

² Information on division/office variances reflects variances in both the Corporate Operating and Investment Budgets.

FDIC CFO REPORT TO THE BOARD – First Quarter 2008

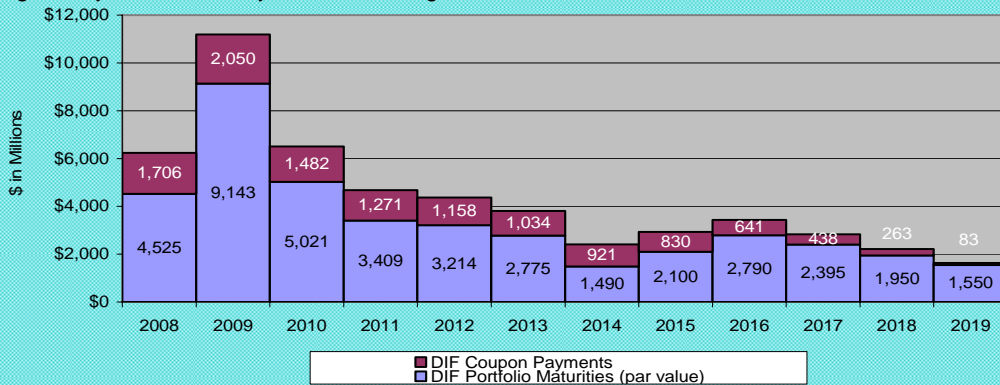
Fund Financial Results

(\$ in Millions)

Balance Sheet

	Deposit Insurance Fund			(unaudited) Mar-07	Year-Over-Year Change
	(unaudited) Mar-08	(audited) Dec-07	Change		
Cash & cash equivalents	\$ 8,080	\$ 4,245	\$ 3,835	\$ 3,712	\$ 4,368
Investment in U.S. Treasury obligations, net	43,626	46,588	(2,962)	45,942	(2,316)
Assessments receivable, net	442	244	198	94	348
Interest receivable on investments and other assets, net	623	768	(145)	682	(59)
Receivables from resolutions, net	751	808	(57)	431	320
Property, buildings and other capitalized assets, net	347	352	(5)	368	(21)
Total Assets	\$ 53,869	\$ 53,005	\$ 864	\$ 51,229	\$ 2,640
Accounts payable and other liabilities	127	152	(25)	119	8
Postretirement benefit liability	116	116	0	130	(14)
Contingent Liabilities: future failures	583	124	459	35	548
Contingent Liabilities: litigation losses & other	200	200	0	200	0
Total Liabilities	\$ 1,026	\$ 592	\$ 434	\$ 484	\$ 542
FYI: Unrealized gain on available-for-sale securities, net	486	359	127	315	171
FYI: Unrealized postretirement benefit gain	19	19	0	2	17
FUND BALANCE	\$ 52,843	\$ 52,413	\$ 430	\$ 50,745	\$ 2,098

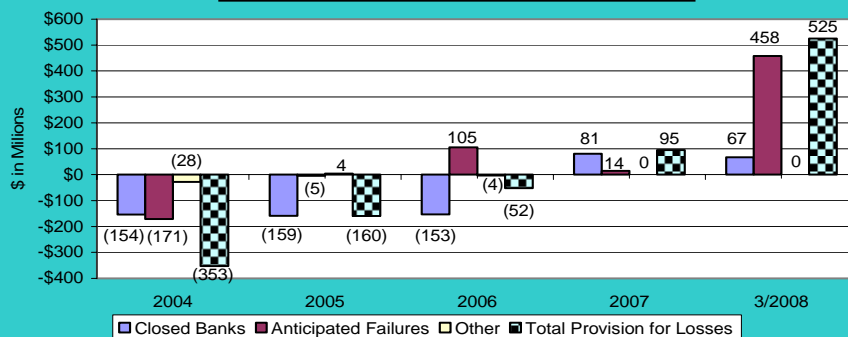
Approximately 46% of DIF's investments in U.S. Treasury obligations other than overnights will mature by 2010. For the near-term, yields on newly purchased U.S. Treasury securities are expected to be generally lower than the yields on maturing securities.



Income Statement

	Deposit Insurance Fund			Year-Over-Year Change
	(unaudited) Mar-08	(audited) Dec-07	(unaudited) Mar-07	
Assessments earned	\$ 448	\$ 643	\$ 94	\$ 354
Interest earned on investment securities	618	2,540	567	51
Other revenue	1	14	4	(3)
Total Revenue	\$ 1,067	\$ 3,197	\$ 665	\$ 402
Operating expenses (includes depreciation expense)	238	993	239	(1)
Provision for insurance losses	525	95	(73)	598
Other expenses	1	3	0	1
Total Expenses & Losses	\$ 764	\$ 1,091	\$ 166	\$ 598
Net Income	\$ 303	\$ 2,106	\$ 499	\$ (196)
Unrealized gain/(loss) on available-for-sale securities, net	127	125	81	46
Unrealized postretirement benefit gain/(loss)	0	17	0	0
YTD Comprehensive Income	\$ 430	\$ 2,248	\$ 580	\$ (150)

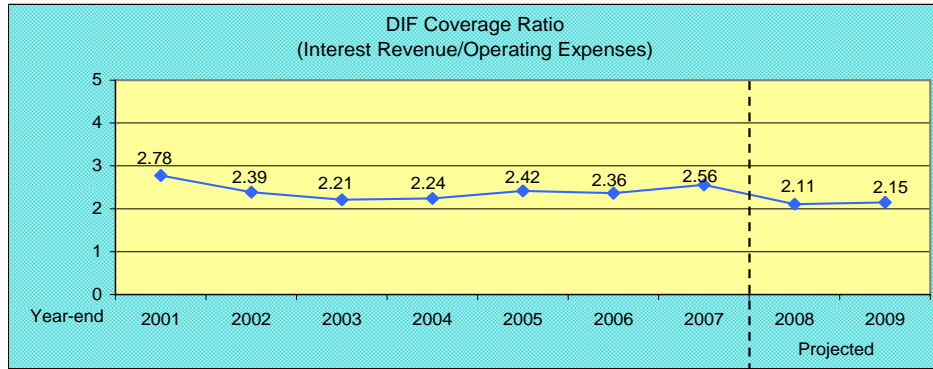
Components of Provision for Insurance Losses



The estimated losses for anticipated failures as of March 31, 2008 reached its highest mark in five years. Total losses from anticipated failures by the end of 2008 and 2009 are expected to be higher than the average over the past ten years.

Fund Financial Results - continued

(\$ in Millions)



The coverage ratio in 2008 and 2009 is projected to decline due to a modest decrease in interest revenue and a nominal increase in operating expenses. The projected decline in interest revenue is attributable to lower Treasury market yields.

Statements of Cash Flows

Deposit Insurance Fund

	(unaudited) Mar-08	(audited) Dec-07	(unaudited) Mar-07	Year-Over- Year Change
Net Income	\$ 303	\$ 2,106	\$ 499	\$ (196)
Amortization of U.S. Treasury obligations (unrestricted)	129	571	136	(7)
TIPS Inflation Adjustment	(80)	(314)	(25)	(55)
Depreciation on property and equipment	13	63	13	0
Provision for insurance losses	525	95	(73)	598
Unrealized gain on postretirement benefits	0	17	0	0
Net change in operating assets and liabilities	(94)	(668)	37	(131)
Net Cash Provided by Operating Activities	\$ 796	\$ 1,870	\$ 587	\$ 209
Investments matured and sold	3,039	7,626	1,515	1,524
Investments purchased (includes purchase of property and equipment)	0	(8,205)	(1,344)	1,344
Net Cash Provided by/(Used by) Investing Activities	\$ 3,039	\$ (579)	\$ 171	\$ 2,868
Net Increase (Decrease) in Cash and Cash Equivalents	3,835	1,291	758	3,077
Cash and Cash Equivalents at beginning of year	4,245	2,954	2,954	1,291
Cash and Cash Equivalents - Ending	\$ 8,080	\$ 4,245	\$ 3,712	\$ 4,368

FSLIC Resolution Fund

	(unaudited) Mar-08	(audited) Dec-07	Change	(unaudited) Mar-07	Year-Over-Year Change
Cash and cash equivalents	\$ 3,415	\$ 3,617	\$ (202)	\$ 3,675	\$ (260)
Accumulated deficit, net	(123,825)	(123,770)	(55)	(123,853)	28
Resolution equity	3,444	3,648	(204)	3,708	(264)
Total revenue	\$ 23	\$ 188	\$ (165)	\$ 64	\$ (41)
Operating expenses	1	3	(2)	0	1
Goodwill/Guarini litigation expenses	77	196	(119)	103	(26)
Net (loss/income)	\$ (55)	\$ 64	\$ (119)	\$ (19)	\$ (36)

FRF Residual Activity

<i>Goodwill Litigation & Tax Benefits</i>	<i>Asset Disposition</i>
>19 Goodwill cases remain. Estimated completion by 2010. >4 Tax benefit cases remain. 2 expected to terminate in 2008, 1 in 2012, 1 in 2013.	>139 receivership assets with net book value of \$3.5 million. >43 corporate purchased assets with net book value of \$28.7 million. >395 off-book assets (criminal restitution & professional liability claims) for a total of \$774 million.
<i>Restitution Orders, Professional Liability Claims, & Other Legal Issues</i>	<i>Program Responsibilities</i>
>40 FRF professional liability matters remain. >368 FRF criminal restitution orders and 3 FRF forfeiture matters remain. >15 "other" FRF legal matters remain.	>Affordable Housing - monitoring for 25+ years w/750+ properties. >Environmental - Leaking Underground Storage Tank reimbursement applications totaled \$314 thousand. Approximately \$177 thousand received in 2007 with remainder to be received in 2008. >Subsidiaries - 2 remain with termination anticipated in 2008. >Receiverships - 11 remain with 10 due to terminate in 2008 and 1 in 2009. >Partnerships - All Equity and Asset Management Disposition Agreement partnerships will terminate in 2008.

Deposit Insurance Fund Portfolio Summary

(in millions)

	3/31/08	12/31/07	Change
Par Value	\$48,441	\$47,562	\$879
Amortized Cost	\$51,219	\$50,469	\$750
Market Value	\$54,491	\$52,378	\$2,113
Primary Reserve ¹	\$17,208	\$14,317	\$2,891
Primary Reserve Target Floor	\$15,000	\$15,000	\$0
Primary Reserve % of Total Portfolio	31.2%	26.9%	4.3%
Year-to-Date Total Return (Portfolio)	3.734%	8.629%	not applicable
Year-to-Date Total Return (Benchmark) ²	4.455%	8.861%	not applicable
Total Return Variance (in basis points)	(72.1)	(23.2)	not applicable
Yield-to-Maturity ³	4.45%	4.72%	(0.27%)
Weighted Average Maturity (in years)	3.84	4.06	(0.22)
Effective Duration (in years) ⁴			
Total Portfolio	3.04	3.19	(0.15)
Available-for-Sale Securities	1.44	1.29	0.15
Held-to-Maturity Securities	3.96	3.94	0.02

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.

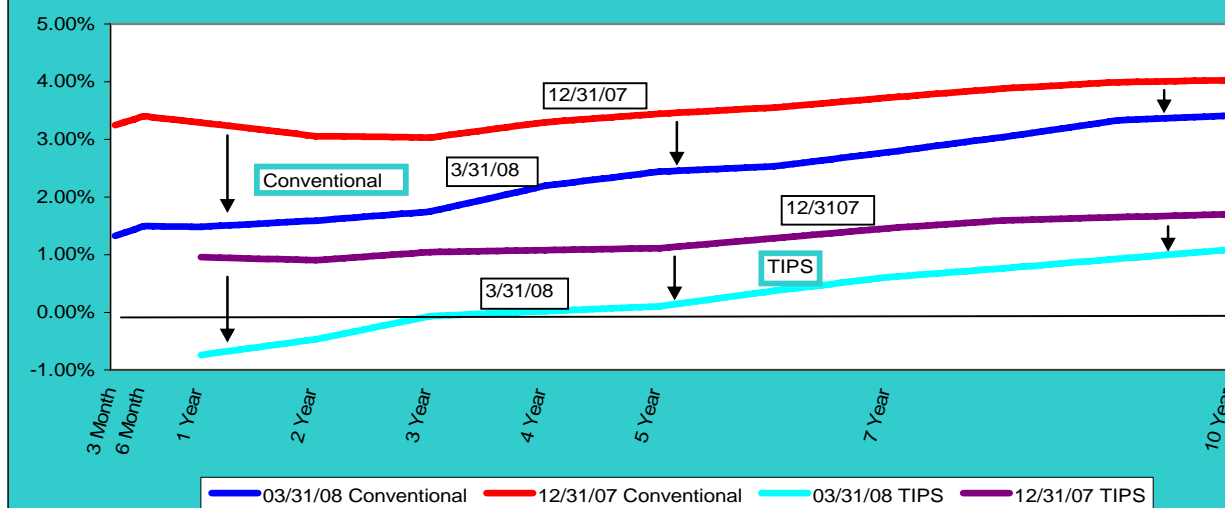
National Liquidation Fund (NLF) Investment Portfolio Summary

(Dollar Values in Millions)

	3/31/08	12/31/07	Change
Book Value ⁶	\$425	\$393	(\$32)
Yield-to-Maturity	2.47%	4.22%	(1.75%)
Weighted Average Maturity (in days)	3	19	(16)

⁶ Due to the short-term nature of the NLF, the portfolio's Book and Market Values are identical for reporting purposes.

U.S. Treasury Security Yield Curves



Approved Investment Strategy

DEPOSIT INSURANCE FUND

Current Strategy as of 1st Quarter 2008

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 six-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 eight years, subject to the following limitations:

- All newly purchased Treasury securities shall be designated available-for-sale (AFS).
- Newly purchased AFS conventional Treasury securities should have maturities of six years or less.

Increase the portfolio's primary reserve balance, with a goal of reaching a \$15 billion target floor balance over the near term.

Strategy Changes for 2nd Quarter 2008

No specified portfolio primary reserve target floor balance.

NATIONAL LIQUIDATION FUND

Current Strategy as of 1st Quarter 2008

Maintain a target overnight investment balance between \$20 million and \$25 million.

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

Strategy Changes for 2nd Quarter 2008

No changes in strategy .

**Executive Summary of 2008 Budget and Expenditures
by Major Expense Category
Through March 31, 2008
(Dollars in Thousands)**

Major Expense Category	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
<i>Ongoing Operations</i>				
Salaries & Compensation	\$171,272	\$163,358	95%	(\$7,914)
Outside Services - Personnel	42,528	32,309	76%	(10,219)
Travel	13,942	13,639	98%	(303)
Buildings	13,698	13,577	99%	(121)
Equipment	10,986	7,605	69%	(3,381)
Outside Services - Other	3,431	2,623	76%	(808)
Other Expenses	2,482	2,007	81%	(475)
Total Ongoing Operations	\$258,339	\$235,118	91%	(\$23,221)
<i>Receivership Funding</i>				
Salaries & Compensation	\$854	\$208	24%	(\$646)
Outside Services - Personnel	15,336	6,278	41%	(9,058)
Travel	1,407	382	27%	(1,025)
Buildings	575	724	126%	149
Equipment	56	24	43%	(32)
Outside Services - Other	136	393	289%	257
Other Expenses	380	1,417	373%	1,037
Total Receivership Funding	\$18,744	\$9,426	50%	(\$9,318)
Total Corporate Operating Budget	\$277,083	\$244,544	88%	(\$32,539)
Investment Budget ¹	\$6,214	\$5,212	84%	(\$1,002)
Grand Total	\$283,297	\$249,756	88%	(\$33,541)

1) Budgets for investment projects are approved on a multi-year basis; the "Year-to-Date Budget" amount reflects the 2008 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 2008 Budget and Expenditures
by Budget Component and Division/Office
Through March 31, 2008
(Dollars in Thousands)**

Division/Office	YTD Budget	YTD Expenditures	% of Budget Used	Variance
<i>Corporate Operating Budget</i>				
Supervision & Consumer Protection	\$102,861	\$96,743	94%	(\$6,118)
Information Technology	50,364	41,580	83%	(8,784)
Administration	39,336	34,530	88%	(4,806)
Resolutions & Receiverships	24,463	18,933	77%	(5,530)
Legal	23,879	18,572	78%	(5,307)
Insurance & Research	9,030	7,740	86%	(1,290)
Finance	7,593	7,124	94%	(469)
Inspector General	6,599	5,624	85%	(975)
Corporate University	7,519	8,230	109%	711
Executive Support ¹	4,198	4,182	100%	(16)
Executive Offices ²	1,241	1,247	100%	6
Government Litigation	0	39	N/A	39
Total, Corporate Operating Budget	\$277,083	\$244,544	88%	(\$32,539)
<i>Investment Budget</i> ³				
Information Technology	\$6,073	\$5,102	84%	(\$971)
Resolutions & Receiverships	0	67	N/A	67
Insurance & Research	141	43	30%	(98)
Total, Investment Budget ³	\$6,214	\$5,212	84%	(\$1,002)
<i>Combined Division/Office Budgets</i>				
Supervision & Consumer Protection	\$102,861	\$96,743	94%	(\$6,118)
Information Technology	56,437	46,682	83%	(9,755)
Administration	39,336	34,530	88%	(4,806)
Resolutions & Receiverships	24,463	19,000	78%	(5,463)
Legal	23,879	18,572	78%	(5,307)
Insurance & Research	9,171	7,783	85%	(1,388)
Finance	7,593	7,124	94%	(469)
Inspector General	6,599	5,624	85%	(975)
Corporate University	7,519	8,230	109%	711
Executive Support ¹	4,198	4,182	100%	(16)
Executive Offices ²	1,241	1,247	100%	6
Government Litigation	0	39	N/A	39
Grand Total	\$283,297	\$249,756	88%	(\$33,541)

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 2008 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.