FY 2009 Q2 and Q3 Outlook: Estimated marketable borrowing

- $493 billion January-March

- $165 billion April-June

- Weakness in receipts as well as increases in outlays related to economic recovery programs will lead to greater marketable borrowing needs

- The decline in state and local government series securities also increases marketable borrowing needs
Q1 marketable financing was a record in both net and gross issuance.

Cash outflows totaling $72 billion on May 15 result from interest payments and maturing 3-, 5-, 10-year notes and the called 30-year bond.
Managing volatility of cash balances remains challenging.

Net marketable borrowing for the first quarter was a record $569 billion and was primarily financed through bills.
Bills outstanding remain elevated.

Net weekly bills issuance continues to provide a major portion of our financing.
State and Local Government net issuance remains negative for the sixth consecutive quarter.

For the twentieth consecutive quarter, Savings Bonds did not raise any cash.

The 2-3 year and 10-year sectors begin to trend higher.

Note: Data through December 31, 2008. Excludes CMB's.
Adjusted TIPS outstanding have started to plateau.

Nominal coupon issuance has increased sharply in response to increased fiscal needs.
Assumptions used in the next 3 charts:

- Future residual financing needs are spread proportionally across auctioned securities and are derived from hypothetical initial coupon auction sizes.
- These sizes are based on announced coupon amounts as of January 15, 2009 and assume the outstanding level of bills on December 31, 2008.
- Projections exclude cash management bills.

Using the above assumptions, over the next 5 years:

- Average maturity of total outstanding and average maturity of issuance settle to about 52 and 51 months, respectively.
- The percent of debt with 3 years or less to maturity stabilizes at 60 percent.
Average maturity of issuance peaked in FY 2008.

If future financing needs are spread proportionally, current issuance patterns would lead to a steadily increasing share of medium to longer-term debt.
Short-term debt as a percent of the overall portfolio continues to rise as a result of the introduction of the 52-week bill and monthly 3-year notes.

Maturing 2-year, 3-year and 5-year notes lead to increased near- and medium-term financing needs.

Net financing projections for FY 2009-10 are based on internal estimates; projections for FY 2011-13 are based on OMB 2009 MSR Budget estimates. Future residual financing needs are spread proportionally across auctioned securities and are derived from hypothetical auction sizes. Initial sizes are based on announced coupon amounts as of January 15, 2009 and assume the outstanding level of bills on December 31, 2008. All projections exclude CMB issuance and maturing amounts.

*Based on coupon securities outstanding as of January 13, 2009.
Uncertainty

- Economic and credit market conditions continue to add uncertainty to borrowing requirements.

- Volatility in revenues, projected outlays and reduced non-marketable debt issuance could also lead to increased near-term marketable financing needs.
State and Local Government Series (SLGS) issuance is at the lowest level since CY 2000.

SLGS net pay downs continue for the sixth consecutive quarter.
The decline in corporate tax receipts has contributed to additional borrowing needs.

The Treasury repo market, after experiencing dislocations, is gradually readjusting with volumes increasing and fails plateauing.
Primary dealers currently estimate a FY 2009 deficit of over $1.6 trillion.

Fiscal deficit projections remain volatile given overall uncertainty.

<table>
<thead>
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<th>FY 09 Deficit Estimates</th>
<th>$ billions</th>
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<td></td>
<td>Primary Dealers*</td>
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<tr>
<td>Current:</td>
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<td>Range based on average absolute forecast error**</td>
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* Primary Dealers reflect average estimate.
*** Based on Primary Dealer feedback on January 29, 2009.