Deposit Insurance Fund Performance

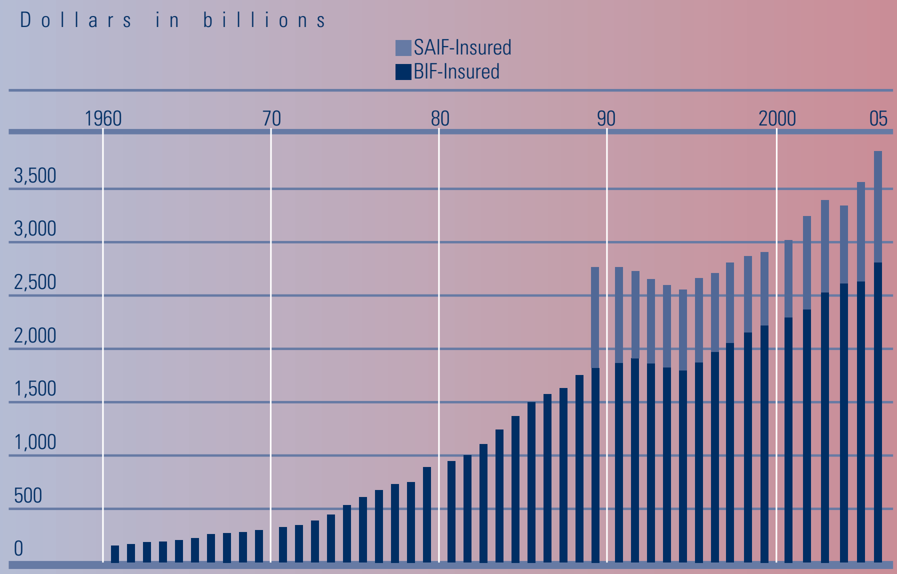
The FDIC administers two deposit insurance funds – the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) – and manages the FSLIC Resolution Fund (FRF), which fulfills the obligations of the former Federal Savings and Loan Insurance Corporation (FSLIC) and the former Resolution Trust Corporation (RTC). The following summarizes the condition of the FDIC's insurance funds. (See the accompanying tables on FDIC-Insured Deposits, Insurance Fund Reserve Ratios and Risk-Related Premiums on the following pages.)

The BIF reported comprehensive income (net income plus current period unrealized gains/losses on available-for-sale (AFS) securities) of $680 million in 2005 compared to $1.004 billion in 2004. This reduction of $324 million was primarily due to an increase in unrealized losses on AFS securities of $279 million, lower recoveries of prior years' provisions for insurance losses of $143 million, an increase in operating expenses of $25 million, and a decrease in assessment revenues of $43 million, offset by an increase of $161 million in interest revenue on U.S. Treasury obligations. As of December 31, 2005, the fund balance was $35.5 billion, up from $34.8 billion at year-end 2004.

The SAIF reported comprehensive income of $409 million in 2005, compared to $480 million in 2004. This reduction of $71 million was primarily due to an increase in unrealized losses on AFS securities of $93 million and lower recoveries of prior years' provisions for insurance losses of $50 million, offset by a $73 million increase in interest revenue on U.S. Treasury obligations. As of December 31, 2005, the fund balance was $13.1 billion, up from $12.7 billion at year-end 2004.

For both BIF and SAIF, higher interest revenue on U.S. Treasury obligations stemmed from higher overnight and short-term Treasury yields as well as higher inflation compensation on Treasury Inflation Protected Securities. However, the higher interest revenue was more than offset by an increase in unrealized losses that resulted from a rise in Treasury market yields on short- to intermediate-maturity AFS securities during 2005.

FDIC-Insured Deposits (estimated 1960-2005)•



• All amounts are yearend except 2005 is as of 9/30/05.
Source: Commercial Bank Call Reports and Thrift Financial Reports

Operating Expenses

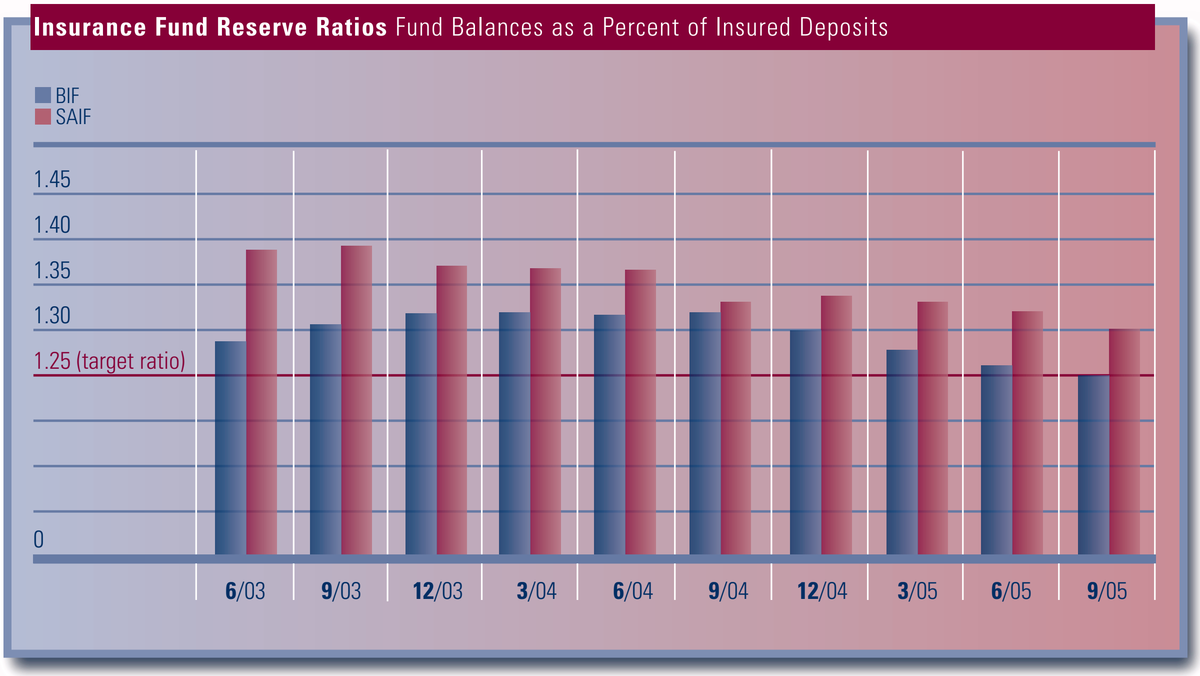
Corporate Operating Budget expenses totaled $990 million in 2005, including $979 million in ongoing operations and $11 million for receivership funding. This represented approximately 95 percent of the approved budget for ongoing operations and 15 percent of the approved budget for receivership funding.

In December 2005, the Board of Directors approved a 2006 Corporate Operating Budget of approximately $1.05 billion, including $975 million for ongoing operations. The level of approved Corporate Operating Budget for 2006 is more than 5 percent lower than the Corporate Operating Budget for 2005 due to savings achieved through continued staffing reductions and the realization of other efficiencies. The Corporate Operating Budget includes funding for a number of major new initiatives, including increased funding for consumer protection activities; continued implementation of the Corporate Employee Program; several new learning initiatives consistent with the Corporation's commitment to an environment of continuous employee growth and development; and several projects to explore increased automation of the bank examination process.

Investment Spending

The FDIC has a disciplined process for reviewing proposed new investment projects and managing the implementation of approved projects. Most of the projects in the current investment portfolio are major IT system initiatives. Proposed IT projects are carefully reviewed to ensure that they are consistent with the Corporation's enterprise architecture and include an appropriate return on investment for the insurance funds. The process also enables the FDIC to be aware of risks to the major capital investment projects and facilitates appropriate, timely intervention to address these risks throughout the development process. An investment portfolio performance review of the major capital investments is provided to the FDIC's Board of Directors quarterly.

During 2005, the Corporation completed and implemented three projects in its investment portfolio. Spending for investment projects in 2005 totaled approximately $62 million, but is expected to drop significantly in 2006. The Board of Directors did not approve any new investment projects in 2005.


Insurance Fund Reserve Ratios Fund Balances as a Percent of Insured Deposits
BIF
SAIF
1.45
1.40
1.35
1.30
1.25 (target ratio)
0
6/03
9/03
12/03
3/04
6/04
9/04
12/04
3/05
6/05
9/05

Risk-Related Premiums

The following tables show the number and percentage of institutions insured by the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF), according to risk classifications effective for the first semiannual assessment period of 2005. Each institution is categorized based on its capital group (1, 2, or 3) and supervisory subgroup (A, B, or C), which is generally determined by on-site examinations. Assessment rates are basis points, cents per $100 of assessable deposits, per year.

BIF Supervisory Subgroups•

Capital Group	A	B	C
1. Well Capitalized:			
Assessment Rate	0	3	17
Number of Institutions	7,307 (94.2%)	344 (4.4%)	47 (0.6%)
2. Adequately Capitalized:			
Assessment Rate	3	10	24
Number of Institutions	49 (0.6%)	5 (0.1%)	7 (0.1%)
3. Undercapitalized:			
Assessment Rate	10	24	27
Number of Institutions	0 (0.0%)	0 (0.0%)	2 (0.0%)

SAIF Supervisory Subgroups▲

1. Well Capitalized:			
Assessment Rate	0	3	17
Number of Institutions	1,034 (93.5%)	58 (5.2%)	11 (1.0%)
2. Adequately Capitalized:			
Assessment Rate	3	10	24
Number of Institutions	3 (0.3%)	0 (0.0%)	0 (0.0%)
3. Undercapitalized:			
Assessment Rate	10	24	27
Number of Institutions	0 (0.0%)	0 (0.0%)	0 (0.0%)

• BIF data exclude SAIF-member "Oakar" institutions that hold BIF-insured deposits. The assessment rates reflect the rates for BIF-assessable deposits, which remained the same throughout 2005.

▲ SAIF data exclude BIF-member "Oakar" institutions that hold SAIF-insured deposits. The assessment rates reflect the rates for SAIF-assessable deposits, which remained the same throughout 2005.