



PRESS RELEASE

Federal Deposit Insurance Corporation

FOR IMMEDIATE RELEASE
August 19, 2005

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Deposit Insurance Funds Up For Second Quarter New FDIC Financial Results Show Strong Core Earnings; Modest Gains in BIF and SAIF

The Federal Deposit Insurance Corporation (FDIC) today announced that the Bank Insurance Fund (BIF) increased by a modest 0.8 percent (\$270 million) during the second quarter of 2005 to \$35.1 billion, while the Savings Association Insurance Fund (SAIF) increased by 1.1 percent (\$136 million) to \$12.9 billion. For the six-month period ending June 30, 2005, the BIF and the SAIF have increased by approximately 0.9 percent (\$307 million) and 1.6 percent (\$209 million), respectively.

"Overall, the deposit insurance funds remained financially sound and again exhibited healthy core earnings during the first half of 2005," said Art Murton, Director of the Division of Insurance and Research. Additionally, Murton noted that estimated losses from anticipated failures at the end of the second quarter remained at or near historically low levels for both insurance funds. No BIF- or SAIF-insured institutions failed during the first six months of 2005.

The Designated Reserve Ratios (DRR) for both funds remain above the statutorily required limit of 1.25 percent. As of March 31, 2005, BIF's and SAIF's reserve ratios were 1.27 percent and 1.32 percent, respectively. (The FDIC will update the reserve ratios as of June 30, 2005, next week with the release of its Quarterly Banking Profile.) However, if insured deposit growth continues to increase in line with recent historical average rates, it is likely that the funds' reserve ratios will trend lower going forward.

"As the reserve ratios fall, we are concerned about the fairness of the distribution of deposit insurance premiums should these become necessary, and we are concerned about the opening of a premium differential between the BIF and SAIF," Murton added. "Deposit insurance reform legislation currently before Congress would address these concerns."



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-79-2005

The book values of the BIF and SAIF investment portfolios increased modestly during the second quarter of 2005 while the portfolios' yields changed slightly. The BIF portfolio's yield decreased by 2 basis points, declining to 4.75 percent; the SAIF portfolio's yield increased by one basis point, rising to 4.81 percent. Since January 1, 2005, the BIF's and SAIF's investment portfolio yields have increased 9 basis points and 12 basis points, respectively. These increased portfolio yields can be attributed largely to new investments in an environment of rising overnight and short-term Treasury yields.

For the six months ending June 30, 2005, operating- and investment-related expenditures ran below budget by approximately 6 percent and 5 percent, respectively. The variance with respect to the operating budget was primarily the result of limited resolutions and receivership activity in the Receivership Funding component of the operating budget through the second quarter.

A total of 565 employees accepted the Corporation's recent buyout offer, with 480 employees separating from the Corporation by June 30, 2005, helping to eliminate a substantial portion of the Corporation's identified employee surplus. Although the cost of buyout payments caused the Corporation to exceed its year-to-date budget for the Salaries and Compensation category, it is expected that all divisions will be within their budgets for this category by the end of 2005 as the savings from buyout-related departures in the latter half of the year are realized.

The renewed emphasis on expediting the liquidation of the remaining non-cash assets of the FSLIC Resolution Fund (FRF) continues to yield tangible results. As of June 30, 2005, the book value of FRF assets in liquidation stood at only \$62 million, and the FDIC projects that this book value could be reduced by approximately \$30 million by year-end 2005.

Note: The figures reported are unaudited.