



PRESS RELEASE

Federal Deposit Insurance Corporation • Each Depositor insured to at least \$250,000

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FDIC Reports Second Quarter 2006 Financial Results for the Deposit Insurance Fund

The Federal Deposit Insurance Corporation (FDIC) today announced that the Deposit Insurance Fund (DIF) earned \$967 million in comprehensive income during the first half of 2006, increasing the fund balance to \$49.6 billion as of June 30, 2006. The \$967 million of comprehensive income for the first six months of 2006 compares favorably to the \$518 million earned for the same period in 2005, before the FDIC merged the Bank Insurance Fund and Savings Association Insurance Fund. The increase is primarily due to a one-time adjustment to income for the recognition of exit fees earned of \$346 million and a decrease in the unrealized loss on available-for-sale (AFS) securities of \$105 million, offset by a modest decline in the negative provision for insurance losses of \$24 million.

DIF reported an unrealized loss on AFS securities of \$134 million for the first half of 2006 compared to an unrealized loss of \$239 million for the same period last year. This significantly lower unrealized loss during the first half of 2006 resulted from: (1) a smaller average increase in AFS portfolios' market yields, (2) a smaller total market value of AFS securities, and (3) a lower average duration for the AFS securities held in the DIF's investment portfolio.

The DIF's investment portfolio's yield-to-maturity increased by seven basis points during the first half of 2006, rising to 4.89 percent as of June 30, 2006, from 4.82 percent as of December 31, 2005. While the securities that were purchased during the period had slightly lower yields than maturing securities, this was more than offset by the contribution of higher yielding overnight investments.

For the six months ending June 30, 2006, Corporate Operating and Investment Budget related expenditures of \$465 million and \$15 million were below budget by 8 percent and 27 percent, respectively. Corporate Operating Budget expenditures were lower than expected as a result of limited resolutions and receivership activities through the second quarter.

A more comprehensive analysis of the Corporation's financial statements, investments, and budget for the first half of 2006 is available on the FDIC's Web site at http://www.fdic.gov/about/strategic/corporate/cfo_report_2ndqtr_06/index.html.



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-76-2006