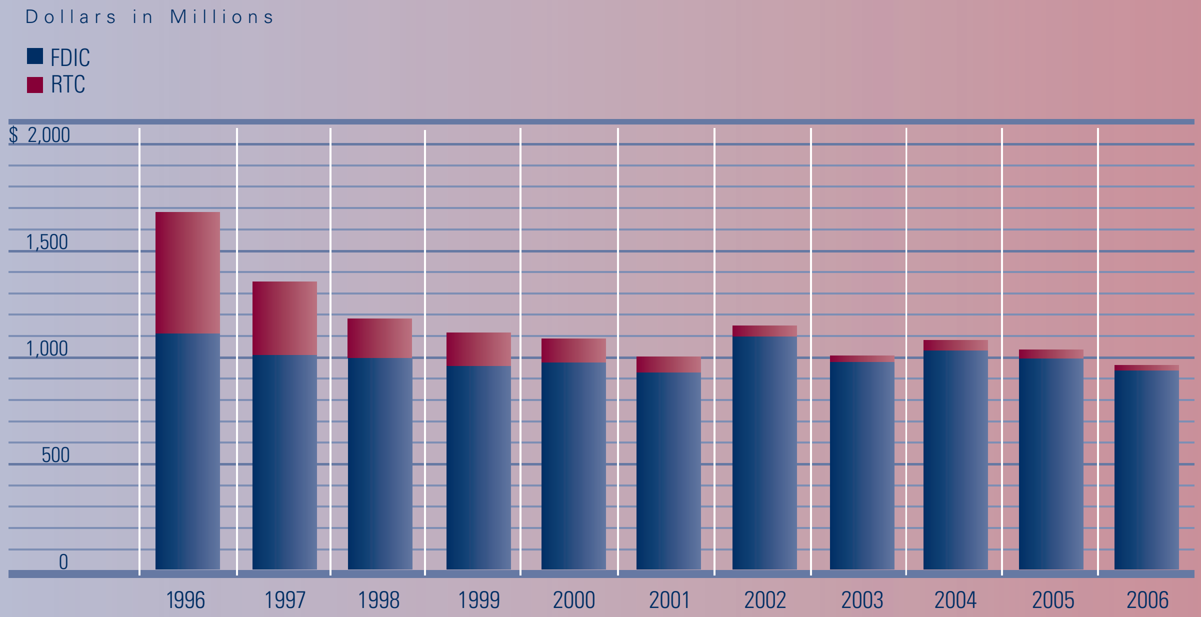
VI. Appendices

Appendix A – Key Statistics

FDIC Expenditures 1996-2006



Note:
Resolution Trust Corporation (RTC) expenditures became the responsibility of the FDIC on January 1, 1996.

The FDIC's Strategic Plan and Annual Performance Plan provide the basis for annual planning and budgeting for needed resources. The 2006 aggregate budget (for corporate, receivership and investment spending) was $1.09 billion, while actual expenditures for the year were $1.00 billion, about $55 million less than 2005 expenditures.

Over the past ten years, the FDIC's expenditures have varied in response to workload. During the past decade, expenditures generally declined due to decreasing resolution and receivership activity. Total expenditures increased in 2002 due to an increase in receivership-related expenses.

The largest component of FDIC spending is for costs associated with staffing. Staffing decreased by 1 percent in 2006, from 4,514 employees at the beginning of the year to 4,476 at the end of the year.

Estimated Insured Deposits and the Deposit Insurance Fund, December 31, 1934, through September 30, 2006[1]

		Dollars in millions					
		Deposits in Insured Institutions				Insurance Fund as a Percentage of	
Year	Insurance Coverage	Total Domestic Deposits	Estimated Insured Deposits [2]	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Estimated Insured Deposits
2006	**$ 100,000**	**$ 6,439,416**	**$ 4,094,765**	**63.6**	**$ 49,991.9**	**0.78**	**1.22**
2005	100,000	6,168,146	3,890,911	63.1	48,596.6	0.79	1.25
2004	100,000	5,686,680	3,623,713	63.7	47,506.8	0.84	1.31
2003	100,000	5,182,016	3,451,117	66.6	46,022.3	0.89	1.33
2002	100,000	4,857,327	3,387,799	69.7	43,797.0	0.90	1.29
2001	100,000	4,481,888	3,210,727	71.6	41,373.8	0.92	1.29
2000	100,000	4,149,355	3,054,360	73.6	41,733.8	1.01	1.37
1999	100,000	3,802,744	2,868,881	75.4	39,694.9	1.04	1.38
1998	100,000	3,747,809	2,850,227	76.1	39,452.1	1.05	1.38
1997	100,000	3,507,493	2,746,006	78.3	37,660.8	1.07	1.37
1996	100,000	3,350,856	2,690,537	80.3	35,742.8	1.07	1.33
1995	100,000	3,318,513	2,663,560	80.3	28,811.5	0.87	1.08
1994	100,000	3,184,636	2,588,686	81.3	23,784.5	0.75	0.92
1993	100,000	3,220,109	2,602,043	80.8	14,277.3	0.44	0.55
1992	100,000	3,273,180	2.675,081	81.7	178.4	0.01	0.01
1991	100,000	3,330,738	2,734,073	82.1	(6,934.0)	(0.21)	(0.25)
1990	100,000	3,415,668	2,759,640	80.8	4,062.7	0.12	0.15
1989	100,000	3,414,066	2,756,757	80.7	13,209.5	0.39	0.48
1988	100,000	2,330,768	1,750,259	75.1	14,061.1	0.60	0.80
1987	100,000	2,201,549	1,658,802	75.3	18,301.8	0.83	1.10
1986	100,000	2,167,596	1,634,302	75.4	18,253.3	0.84	1.12
1985	100,000	1,974,512	1,503,393	76.1	17,956.9	0.91	1.19
1984	100,000	1,806,520	1,389,874	76.9	16,529.4	0.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	0.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	0.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	0.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	0.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21
1978	40,000	1,145,835	760,706	66.4	8,796.0	0.77	1.16
1977	40,000	1,050,435	692,533	65.9	7,992.8	0.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	0.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	0.77	1.18
1974	40,000	833,277	520,309	62.5	6,124.2	0.73	1.18
1973	20,000	766,509	465,600	60.7	5,615.3	0.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	0.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	0.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	0.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	0.82	1.29
1968	15,000	491,513	296,701	60.2	3,749.2	0.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	0.78	1.33
1966	15,000	401,096	234,150	58.4	3,252.0	0.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	0.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	0.82	1.48
1963	10,000	313,304	177,381	56.6	2,667.9	0.85	1.50
1962	10,000	297,548	170,210	57.2	2,502.0	0.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	0.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	0.85	1.48
1959	10,000	247,589	142,131	57.4	2,089.8	0.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	0.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	0.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	0.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	0.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	0.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	0.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	0.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	0.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	0.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	0.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	0.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	0.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	0.71	1.44
1945	5,000	157,174	67,021	42.4	929.2	0.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	0.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	0.69	1.88
1941	5,000	71,209	28,249	39.7	553.5	0.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	0.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	0.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	0.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	0.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	0.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	0.68	1.52
1934 [3]	5,000	40,060	18,075	45.1	291.7	0.73	1.61

[1] For 2006, the numbers are as of September 30, and prior years reflect December 31.

[2] Estimated insured deposits reflect deposit information as reported in the fourth quarter *FDIC Quarterly Banking Profile*. Before 1991, insured deposits were estimated using percentages determined from the June 30 *Call Reports*.

[3] Initial coverage was $2,500 from January 1 to June 30, 1934.

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2006

Dollars in Millions

	Income					Expenses and Losses					
Year	**Total**	**Assessment Income**	**Assessment Credits**	**Investment and Other Sources**	**Effective Assessment Rate[1]**	**Total**	**Provision for Losses**	**Administrative and Operating Expenses[2]**	**Interest and Other Insurance Expenses**	**Funding Transfer from the FSLIC Resolution Fund**	**Net Income/ (Loss)**
Total	**$ 107,192.5**	**$ 62,266.9**	**$ 6,709.1**	**$ 52,223.7**		**$ 58,125.1**	**$ 36,096.8**	**$ 14,841.7**	**$ 7,192.6**	**$139.5**	**$ 49,206.9**
2006	**2,643.5**	**31.9**	**0.0**	**2,611.6**	**0.0005%**	**904.3**	**(52.1)**	**950.6**	**5.8**	**0**	**1,739.2**
2005	2,420.5	60.6	0.0	2,359.9	0.0010%	809.5	(160.2)	966.2	3.5	0	1,611.0
2004	2,240.4	104.3	0.0	2,136.1	0.0019%	607.6	(353.4)	941.3	19.7	0	1,632.8
2003	2,174.0	95.2	0.0	2,078.8	0.0019%	(67.7)	(1,010.5)	935.5	7.3	0	2,241.7
2002	1,795.9	108.0	0.0	2,276.9	0.0022%	719.6	(243.0)	945.1	17.5	0	1,076.3
2001	2,729.7	82.8	0.0	2,646.9	0.0019%	3,123.4	2,199.3	887.9	36.2	0	(393.7)
2000	2,569.9	64.1	0.0	2,505.8	0.0016%	945.2	28.0	883.9	33.3	0	1,624.7
1999	2,416.6	48.3	0.0	2,368.3	0.0013%	2,047.0	1,199.7	823.4	23.9	0	369.6
1998	2,584.3	36.7	0.0	2,547.6	0.0010%	817.5	(5.7)	782.6	40.6	0	1,766.8
1997	2,165.6	38.7	0.0	2,126.9	0.0015%	247.3	(505.7)	677.2	75.8	0	1,918.3
1996	7,157.3	5,294.7	0.0	1,862.6	0.1627%	353.6	(417.2)	568.3	202.5	0	6,803.7
1995	5,229.1	3,876.9	0.0	1,352.2	0.1242%	202.2	(354.2)	510.6	45.8	0	5,026.9
1994	7,682.0	6,722.6	0.0	959.4	0.2185%	(1,825.1)	(2,459.4)	443.2	191.1	0	9,507.1
1993	7,356.8	6,684.3	0.0	672.5	0.2146%	(6,744.4)	(7,660.4)	418.5	497.5	0	14,101.2
1992	6,480.5	5,759.8	0.0	720.7	0.1807%	(596.8)	(2,274.7)	614.8[3]	1,063.1	35.4	7,112.7
1991	5,887.0	5,254.5	0.0	632.5	0.1605%	16,925.3	15,496.2	326.1	1,103.0	42.4	(10,995.9)
1990	3,856.3	2,873.3	0.0	983.0	0.0867%	13,059.3	12,133.1	275.6	650.6	56.1	(9,146.9)
1989	3,496.6	1,885.0	0.0	1,611.6	0.0001%	4,352.2	3,811.3	219.9	321.0	5.6	(850.0)
1988	3,347.7	1,773.0	0.0	1,574.7	0.0833%	7,588.4	6,298.3	223.9	1,066.2	0	(4,240.7)
1987	3,319.4	1,696.0	0.0	1,623.4	0.0833%	3,270.9	2,996.9	204.9	69.1	0	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	0.0833%	2,963.7	2,827.7	180.3	(44.3)	0	296.4
1985	3,385.4	1,433.4	0.0	1,952.0	0.0833%	1,957.9	1,569.0	179.2	209.7	0	1,427.5
1984	3,099.5	1,321.5	0.0	1,778.0	0.0800%	1,999.2	1,633.4	151.2	214.6	0	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	0.0714%	969.9	675.1	135.7	159.1	0	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	0.0769%	999.8	126.4	129.9	743.5	0	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	0.0714%	848.1	320.4	127.2	400.5	0	1,226.6
1980	1,310.4	951.9	521.1	879.6	0.0370%	83.6	(38.1)	118.2	3.5	0	1,226.8
1979	1,090.4	881.0	524.6	734.0	0.0333%	93.7	(17.2)	106.8	4.1	0	996.7
1978	952.1	810.1	443.1	585.1	0.0385%	148.9	36.5	103.3	9.1	0	803.2
1977	837.8	731.3	411.9	518.4	0.0370%	113.6	20.8	89.3	3.5	0	724.2
1976	764.9	676.1	379.6	468.4	0.0370%	212.3	28.0	180.4[4]	3.9	0	552.6
1975	689.3	641.3	362.4	410.4	0.0357%	97.5	27.6	67.7	2.2	0	591.8
1974	668.1	587.4	285.4	366.1	0.0435%	159.2	97.9	59.2	2.1	0	508.9
1973	561.0	529.4	283.4	315.0	0.0385%	108.2	52.5	54.4	1.3	0	452.8
1972	467.0	468.8	280.3	278.5	0.0333%	59.7	10.1	49.6	6.0[5]	0	407.3
1971	415.3	417.2	241.4	239.5	0.0345%	60.3	13.4	46.9	0.0	0	355.0
1970	382.7	369.3	210.0	223.4	0.0357%	46.0	3.8	42.2	0.0	0	336.7
1969	335.8	364.2	220.2	191.8	0.0333%	34.5	1.0	33.5	0.0	0	301.3
1968	295.0	334.5	202.1	162.6	0.0333%	29.1	0.1	29.0	0.0	0	265.9
1967	263.0	303.1	182.4	142.3	0.0333%	27.3	2.9	24.4	0.0	0	235.7
1966	241.0	284.3	172.6	129.3	0.0323%	19.9	0.1	19.8	0.0	0	221.1
1965	214.6	260.5	158.3	112.4	0.0323%	22.9	5.2	17.7	0.0	0	191.7
1964	197.1	238.2	145.2	104.1	0.0323%	18.4	2.9	15.5	0.0	0	178.7
1963	181.9	220.6	136.4	97.7	0.0313%	15.1	0.7	14.4	0.0	0	166.8
1962	161.1	203.4	126.9	84.6	0.0313%	13.8	0.1	13.7	0.0	0	147.3

continued on next page

Income and Expenses, Deposit Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2006 (continued)

Dollars in Millions

	Income					Expenses and Losses					
Year	Total	Assessment Income	Assessment Credits	Investment and Other Sources	Effective Assessment Rate[1]	Total	Provision for Losses	Administrative and Operating Expenses[2]	Interest and Other Insurance Expenses	Funding Transfer from the FSLIC Resolution Fund	Net Income/ (Loss)
1961	147.3	188.9	115.5	73.9	0.0323%	14.8	1.6	13.2	0.0	0	132.5
1960	144.6	180.4	100.8	65.0	0.0370%	12.5	0.1	12.4	0.0	0	132.1
1959	136.5	178.2	99.6	57.9	0.0370%	12.1	0.2	11.9	0.0	0	124.4
1958	126.8	166.8	93.0	53.0	0.0370%	11.6	0.0	11.6	0.0	0	115.2
1957	117.3	159.3	90.2	48.2	0.0357%	9.7	0.1	9.6	0.0	0	107.6
1956	111.9	155.5	87.3	43.7	0.0370%	9.4	0.3	9.1	0.0	0	102.5
1955	105.8	151.5	85.4	39.7	0.0370%	9.0	0.3	8.7	0.0	0	96.8
1954	99.7	144.2	81.8	37.3	0.0357%	7.8	0.1	7.7	0.0	0	91.9
1953	94.2	138.7	78.5	34.0	0.0357%	7.3	0.1	7.2	0.0	0	86.9
1952	88.6	131.0	73.7	31.3	0.0370%	7.8	0.8	7.0	0.0	0	80.8
1951	83.5	124.3	70.0	29.2	0.0370%	6.6	0.0	6.6	0.0	0	76.9
1950	84.8	122.9	68.7	30.6	0.0370%	7.8	1.4	6.4	0.0	0	77.0
1949	151.1	122.7	0.0	28.4	0.0833%	6.4	0.3	6.1	0.0	0	144.7
1948	145.6	119.3	0.0	26.3	0.0833%	7.0	0.7	6.3[6]	0.0	0	138.6
1947	157.5	114.4	0.0	43.1	0.0833%	9.9	0.1	9.8	0.0	0	147.6
1946	130.7	107.0	0.0	23.7	0.0833%	10.0	0.1	9.9	0.0	0	120.7
1945	121.0	93.7	0.0	27.3	0.0833%	9.4	0.1	9.3	0.0	0	111.6
1944	99.3	80.9	0.0	18.4	0.0833%	9.3	0.1	9.2	0.0	0	90.0
1943	86.6	70.0	0.0	16.6	0.0833%	9.8	0.2	9.6	0.0	0	76.8
1942	69.1	56.5	0.0	12.6	0.0833%	10.1	0.5	9.6	0.0	0	59.0
1941	62.0	51.4	0.0	10.6	0.0833%	10.1	0.6	9.5	0.0	0	51.9
1940	55.9	46.2	0.0	9.7	0.0833%	12.9	3.5	9.4	0.0	0	43.0
1939	51.2	40.7	0.0	10.5	0.0833%	16.4	7.2	9.2	0.0	0	34.8
1938	47.7	38.3	0.0	9.4	0.0833%	11.3	2.5	8.8	0.0	0	36.4
1937	48.2	38.8	0.0	9.4	0.0833%	12.2	3.7	8.5	0.0	0	36.0
1936	43.8	35.6	0.0	8.2	0.0833%	10.9	2.6	8.3	0.0	0	32.9
1935	20.8	11.5	0.0	9.3	0.0833%	11.3	2.8	8.5	0.0	0	9.5
1933/4	7.0	0.0	0.0	7.0	N/A	10.0	0.2	9.8	0.0	0	(3.0)

1 The effective rates from 1950 through 1984 vary from the statutory rate of 0.0833 percent due to assessment credits provided in those years. The statutory rate increased to 0.12 percent in 1990 and to a minimum of 0.15 percent in 1991. The effective rates in 1991 and 1992 vary because the FDIC exercised new authority to increase assessments above the statutory rate when needed. Beginning in 1993, the effective rate is based on a risk-related premium system under which institutions pay assessments in the range of 0.23 percent to 0.31 percent. In May 1995, the BIF reached the mandatory recapitalization level of 1.25 percent. As a result, the assessment rate was reduced to 4.4 cents per $100 of insured deposits and assessment premiums totaling $1.5 billion were refunded in September 1995.

2 These expenses, which are presented as operating expenses in the Statements of Income and Fund Balance, pertain to the FDIC in its corporate capacity only and **do not** include costs that are charged to the failed bank receiverships that are managed by the FDIC. The receivership expenses are presented as part of the "Receivables from Resolutions, net" line on the Balance Sheets. The information presented in the "FDIC Expenditures" table on page 108 of this report shows the aggregate (corporate and receivership) expenditures of the FDIC.

3 Includes $210 million for the cumulative effect of an accounting change for certain postretirement benefits.

4 Includes $105.6 million net loss on government securities.

5 This amount represents interest and other insurance expenses from 1933 to 1972.

6 Includes the aggregate amount of $80.6 million of interest paid on capital stock between 1933 and 1948.

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934 through 2006

Dollars in Thousands

All Cases[1]

Year	Number of Banks/ Thrifts	Total Assets	Total Deposits	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**2,234**	**$ 301,400,469**	**$ 246,367,303**	**$ 114,990,538**	**$ 76,073,360**	**$ 554,078**	**$ 38,363,100**
2006	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2005	0	0	0	0	0	0	0
2004	4	165,866	145,885	138,895	133,905	1,167	3,823
2003	3	1,096,724	903,504	883,772	681,532	132,255	69,985
2002	11	2,557,811	2,175,043	2,068,519	1,570,551	106,623	391,345
2001	4	2,234,253	1,610,474	1,605,147	1,057,206	268,182	279,759
2000	7	407,618	340,533	297,313	265,175	0	32,138
1999	8	1,486,775	1,331,578	1,307,045	662,773	28,614	615,658
1998	3	370,400	335,076	286,678	52,248	8,312	226,118
1997	1	25,921	26,800	25,546	20,520	0	5,026
1996	6	215,078	200,973	201,533	140,937	0	60,596
1995	6	753,024	632,700	609,043	524,571	0	84,472
1994	13	1,392,140	1,236,488	1,224,769	1,045,718	0	179,051
1993	42	4,405,373	3,827,177	3,841,658	3,198,503	902	642,253
1992	122	44,231,922	41,184,366	14,175,372	10,506,358	1,038	3,667,976
1991	127	63,203,713	53,832,141	21,196,493	15,197,510	2,586	5,996,397
1990	169	15,676,700	14,488,900	10,817,419	8,034,946	4,399	2,778,074
1989	207	29,168,596	24,090,551	11,445,829	5,248,247	0	6,197,582
1988	280	70,065,789	45,499,102	12,163,006	5,244,866	0	6,918,140
1987	203	9,366,300	8,399,500	5,037,871	3,015,215	0	2,022,656
1986	145	7,710,400	7,056,700	4,790,969	3,015,252	0	1,775,717
1985	120	8,741,268	8,059,441	2,920,687	1,913,452	0	1,007,235
1984	80	3,276,411	2,883,162	7,696,215	6,056,061	0	1,640,154
1983	48	7,026,923	5,441,608	3,807,082	2,400,044	0	1,407,038
1982	42	11,632,415	9,908,379	2,275,150	1,106,579	0	1,168,571
1981	10	4,863,898	3,829,936	888,999	107,221	0	781,778
1980	11	244,117	221,302	152,355	121,675	0	30,680
1934-79	562	11,081,034	8,705,984	5,133,173	4,752,295	0	380,878

Deposit Assumption Cases

Year	Number of Banks/ Thrifts	Total Assets	Total Deposits	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**1,484**	**$ 222,595,870**	**$ 185,201,955**	**$ 87,424,798**	**$ 58,624,845**	**$ 450,795**	**$ 28,349,158**
2006	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2005	0	0	0	0	0	0	0
2004	3	150,520	132,880	132,781	127,791	1,167	3,823
2003	3	1,096,724	903,504	883,772	681,532	132,255	69,985
2002	6	569,332	511,782	483,461	338,759	7,739	136,963
2001	4	2,234,253	1.610,474	1,605,147	1,057,206	268,182	279,759
2000	7	407,618	340,533	297,313	265,175	0	32,138
1999	8	1,486,775	1,331,578	1,307,045	662,773	28,614	615,658
1998	3	370,400	335,076	286,678	52,248	8,312	226,118
1997	1	25,921	26,800	25,546	20,520	0	5,026
1996	6	215,078	200,973	201,533	140,937	0	60,596
1995	6	753,024	632,700	609,043	524,571	0	84,472
1994	13	1,392,140	1,236,488	1,224,769	1,045,718	0	179,051
1993	37	4,098,618	3,556,005	3,580,297	3,035,754	902	543,641
1992	95	42,147,689	39,132,496	12,280,562	9,103,936	1,038	3,175,588
1991	103	61,593,332	52,274,435	19,938,700	14,410,415	2,586	5,525,699
1990	148	13,138,300	12,215,600	8,629,084	6,390,785	0	2,238,299
1989	174	26,811,496	21,931,451	9,326,725	3,985,855	0	5,340,870
1988	164	34,421,089	23,652,902	9,180,495	4,232,545	0	4,947,950
1987	133	4,311,700	4,020,700	2,773,202	1,613,502	0	1,159,700
1986	98	5,657,100	5,217,200	3,476,140	2,209,924	0	1,266,216
1985	87	2,235,182	2,000,044	1,631,166	1,095,601	0	535,565
1984	62	1,905,924	1,603,923	1,373,198	941,674	0	431,524
1983	35	3,194,452	2,275,313	2,893,969	1,850,553	0	1,043,416
1982	25	681,025	552,436	268,372	213,578	0	54,794
1981	5	4,808,042	3,778,486	79,208	71,358	0	7,850
1980	7	218,332	199,846	138,623	110,248	0	28,375
1934-79	251	8,671,804	5,528,330	4,797,969	4,441,887	0	356,082

Recoveries and Losses by the Deposit Insurance Fund on Disbursements for the Protection of Depositors, 1934 through 2006 (continued)

Dollars in Thousands

Deposit Payoff Cases[2]

Year	Number of Banks/ Thrifts	Total Assets	Total Deposit	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**609**	**$ 18,687,250**	**$ 17,157,091**	**$ 15,935,384**	**$ 11,248,640**	**$ 103,283**	**$ 4,583,461**
2006	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2005	0	0	0	0	0	0	0
2004	1	15,346	13,005	6,114	6,114	0	0
2003	0	0	0	0	0	0	0
2002	5	1,988,479	1,663,261	1,585,058	1,231,792	98,884	254,382
2001	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0
1995	0	0	0	0	0	0	0
1994	0	0	0	0	0	0	0
1993	5	306,755	271,172	261,361	162,749	0	98,612
1992	25	2,049,320	2,018,402	1,893,324	1,401,186	0	492,138
1991	21	1,526,538	1,477,328	1,251,676	784,002	0	467,674
1990	20	2,522,500	2,257,700	2,183,400	1,641,564	4,399	537,437
1989	32	2,280,100	2,086,100	2,116,556	1,262,140	0	854,416
1988	36	1,276,700	1,278,400	1,252,160	822,612	0	429,548
1987	51	2,539,000	2,260,800	2,103,792	1,401,000	0	702,792
1986	40	1,334,500	1,253,900	1,155,981	739,659	0	416,322
1985	29	610,156	548,986	523,789	411,175	0	112,614
1984	16	855,568	784,597	791,838	699,483	0	92,355
1983	9	164,037	160,998	148,423	122,484	0	25,939
1982	7	585,418	538,917	277,240	206,247	0	70,993
1981	2	51,018	47,536	35,736	34,598	0	1,138
1980	3	17,832	16,454	13,732	11,427	0	2,305
1934-79	307	563,983	479,535	335,204	310,408	0	24,796

Assistance Transactions

Year	Number of Banks/ Thrifts	Total Assets	Total Deposits	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**141**	**$ 60,117,349**	**$ 44,008,257**	**$ 11,630,356**	**$ 6,199,875**	**$ 0**	**$ 5,430,481**
2006	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2005	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0
1995	0	0	0	0	0	0	0
1994	0	0	0	0	0	0	0
1993	0	0	0	0	0	0	0
1992	2	34,913	33,468	1,486	1,236	0	250
1991	3	83,843	80,378	6,117	3,093	0	3,024
1990	1	15,900	15,600	4,935	2,597	0	2,338
1989	1	77,000	73,000	2,548	252	0	2,296
1988	80	34,368,000	20,567,800	1,730,351	189,709	0	1,540,642
1987	19	2,515,600	2,118,000	160,877	713	0	160,164
1986	7	718,800	585,600	158,848	65,669	0	93,179
1985	4	5,895,930	5,510,411	765,732	406,676	0	359,056
1984	2	514,919	494,642	5,531,179	4,414,904	0	1,116,275
1983	4	3,668,434	3,005,297	764,690	427,007	0	337,683
1982	10	10,365,972	8,817,026	1,729,538	686,754	0	1,042,784
1981	3	4,838	3,914	774,055	1,265	0	772,790
1980	1	7,953	5,002	0	0	0	0
1934-79	4	1,845,247	2,698,119	0	0	0	0

[1] Totals do not include dollar amounts for the five open bank assistance transactions between 1971 and 1980. Excludes eight transactions prior to 1962 that required no disbursements. Also, disbursements, recoveries, and estimated additional recoveries do not include working capital advances to and repayments by receiverships.

[2] Includes insured deposit transfer cases.

Note:
Beginning with the 1997 Annual Report, the number of banks in the Assistance Transactions column for 1988 was changed from 21 to 80 and the number of banks in the All Cases column was changed from 221 to 280 to reflect that one assistance transaction encompassed 60 institutions. Also, certain 1982, 1983, 1989 and 1992 resolutions previously reported in either the Deposit Payoff or Deposit Assumption categories were reclassified.

Number, Assets, Deposits, Losses, and Loss to Funds of Insured Thrifts Taken Over or Closed Because of Financial Difficulties, 1989 through 1995[1]

Dollars in Thousands

Year[2]	Total	Assets	Deposits	Estimated Receivership Loss[3]	Loss to Funds[4]
Total	**748**	**$ 395,017,406**	**$ 318,328,770**	**$ 75,060,219**	**$ 81,621,459**
1995	2	423,819	414,692	28,192	27,750
1994	2	136,815	127,508	11,472	14,599
1993	10	7,178,794	5,708,253	267,595	65,212
1992	59	44,196,946	34,773,224	3,220,731	3,765,968
1991	144	78,898,904	65,173,122	8,426,188	8,957,761
1990	213	129,662,498	98,963,962	16,017,169	19,212,063
1989[5]	318	134,519,630	113,168,009	47,088,872	49,578,106

[1] Prior to July 1, 1995, all thrift closings were the responsibility of the Resolution Trust Corporation (RTC). Since the RTC was terminated on December 31, 1995, and all assets and liabilities transferred to the FSLIC Resolution Fund (FRF), all the results of the thrift closing activity from 1989 through 1995 are now reflected on FRF's books.

[2] Year is the year of failure, not the year of resolution.

[3] The estimated losses represent the projected loss at the fund level from receiverships for unreimbursed subrogated claims of the FRF and unpaid advances to receiverships from the FRF.

[4] The Loss to Funds represents the total resolution cost of the failed thrifts in the FRF-RTC funds, which includes corporate revenue and expense items such as interest expense on Federal Financing Bank debt, interest expense on escrowed funds, and interest revenue on advances to receiverships, in addition to the estimated losses for receiverships.

[5] Total for 1989 excludes nine failures of the former FSLIC.

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FDIC Actions on Financial Institutions Applications 2004-2006

	2006	2005	2004
Deposit Insurance	142	219	176
Approved	142	219	176
Denied	0	0	0
New Branches	1,257	1,575	1,447
Approved	1,257	1,575	1,447
Denied	0	0	0
Mergers	229	286	311
Approved	229	286	311
Denied	0	0	0
Requests for Consent to Serve•	138	170	301
Approved	138	170	301
Section 19	11	13	13
Section 32	127	157	288
Denied	0	0	0
Section 19	0	0	0
Section 32	0	0	0
Notices of Change in Control	3	9	18
Letters of Intent Not to Disapprove	2	9	18
Disapproved	1	0	0
Brokered Deposit Waivers	26	40	32
Approved	26	40	32
Denied	0	0	0
Savings Association Activities▪	33	59	70
Approved	33	59	70
Denied	0	0	0
State Bank Activities/Investments▾	14	18	27
Approved	14	18	27
Denied	0	0	0
Conversions of Mutual Institutions	9	11	12
Non-Objection	9	11	12
Objection	0	0	0

• Under Section 19 of the Federal Deposit Insurance (FDI) Act, an insured institution must receive FDIC approval before employing a person convicted of dishonesty or breach of trust. Under Section 32, the FDIC must also approve any change of directors or senior executive officers at a state nonmember bank that is not in compliance with capital requirements or is otherwise in troubled condition.

▪ Amendments to Part 303 of the FDIC Rules and Regulations changed FDIC oversight responsibility in October 1998. In 1998, Part 303 changed the Delegations of Authority to act upon applications.

▾ Section 24 of the FDI Act, in general, precludes a federally insured state bank from engaging in an activity not permissible for a national bank and requires notices to be filed with the FDIC.

Compliance, Enforcement and Other Related Legal Actions 2004-2006

	2006	2005	2004
Total Number of Actions Initiated by the FDIC	**244**	192	217
Termination of Insurance			
Involuntary Termination			
Sec. 8a For Violations, Unsafe/Unsound Practices or Condition	**0**	0	0
Voluntary Termination			
Sec. 8a By Order Upon Request	**1**	0	0
Sec. 8p No Deposits	**2**	2	2
Sec. 8q Deposits Assumed	**3**	11	38
Sec. 8b Cease-and-Desist Actions			
Notices of Charges Issued	**0**	0	0
Consent Orders	**29**	20	28
Sec. 8e Removal/Prohibition of Director or Officer			
Notices of Intention to Remove/Prohibit	**3**	2	3
Consent Orders	**89**	73	58
Sec. 8g Suspension/Removal When Charged With Crime	**0**	0	1
Civil Money Penalties Issued			
Sec. 7a Call Report Penalties	**0**	0	0
Sec. 8i Civil Money Penalties	**93**	69	68
Sec. 10c Orders of Investigation	**17**	15	15
Sec. 19 Denials of Service After Criminal Conviction	**0**	0	1
Sec. 32 Notices Disapproving Officer/Director's Request for Review	**0**	0	0
Truth-in-Lending Act Reimbursement Actions			
Denials of Requests for Relief	**0**	0	0
Grants of Relief	**2**	0	0
Banks Making Reimbursement•	**110**	78	73
Suspicious Activity Reports (Open and closed institutions)•	**119,384**	102,080	83,453
Other Actions Not Listed▾	**5**	0	3

•These actions do not constitute the initiation of a formal enforcement action and, therefore, are not included in the total number of actions initiated.

▾Other Actions Not Listed includes Written Agreements, Section 19 Waiver grants, Section 8(e) Modifications, and similar actions in which orders are issued.

Appendix B – More About the FDIC

FDIC Board of Directors

Martin J. Gruenberg, Sheila C. Bair, Chairman (seated),
John C. Dugan, Thomas J. Curry, and John M. Reich (standing, left to right)

Sheila C. Bair

Sheila C. Bair was sworn in as the 19th Chairman of the Federal Deposit Insurance Corporation (FDIC) on June 26, 2006. She was appointed Chairman for a five-year term, and as a member of the FDIC Board of Directors through July 2013.

Before her appointment to the FDIC, Ms. Bair was the Dean's Professor of Financial Regulatory Policy for the Isenberg School of Management at the University of Massachusetts-Amherst since 2002. Other career experience includes serving as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury (2001 to 2002), Senior Vice President for Government Relations of the New York Stock Exchange (1995 to 2000), a Commissioner and Acting Chairman of the Commodity Futures Trading Commission (1991 to 1995), and Research Director, Deputy Counsel and Counsel to Senate Majority Leader Robert Dole (1981 to 1988).

While an academic, Chairman Bair also served on the FDIC's Advisory Committee on Banking Policy.

Chairman Bair's prior work focused heavily on the banking sector. As the Assistant Treasury Secretary for Financial Institutions, she was charged with helping to develop the Administration's positions on banking policy issues. She worked closely with Treasury's own banking regulatory bureaus, the Office of the Comptroller of the Currency and the Office of Thrift Supervision, as well as the Federal Reserve Board and the FDIC. Ms. Bair's teaching and research at the University of Massachusetts also dealt extensively with banking and related issues.

Ms. Bair has served as a member of several professional and non-profit organizations, including the Insurance Marketplace Standards Association, Women in Housing and Finance, Center for Responsible Lending, NASD Ahead-of-the-Curve Advisory Committee, Massachusetts Savings Makes Cents, American Bar Association, Exchequer Club, and Society of Children's Book Writers and Illustrators.

Five months after becoming Chairman, Ms. Bair was named to The Wall Street Journal magazine *Smart Money's* (November 2006) "Power 30" list – the magazine's lineup of the 30 most influential people in investing. Chairman Bair has also received several honors for her published work on financial issues, including her educational writings on money and finance for children, and for professional achievement. Among the honors she has received are: Distinguished Achievement Award, Association of Education Publishers (2005); Personal Service Feature of the Year, and Author of the Month Awards, *Highlights Magazine for Children* (2002, 2003 and 2004); and The Treasury Medal (2002). Her first book – *Rock, Brock and the Savings Shock,* a publication for children – was published in 2006.

Chairman Bair received a bachelor's degree from Kansas University and a J.D. from Kansas University School of Law. She is married to Scott P. Cooper and has two children.

Martin J. Gruenberg

Martin J. Gruenberg was sworn in as Vice Chairman of the FDIC Board of Directors on August 22, 2005. Upon the resignation of Chairman Donald Powell, he served as Acting Chairman from November 15, 2005, to June 26, 2006.

Mr. Gruenberg joined the Board after broad congressional experience in the financial services and regulatory areas. He served as Senior Counsel to Senator Paul S. Sarbanes (D-MD) on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from 1993 to 2005. Mr. Gruenberg advised the Senator on all issues of domestic and international financial regulation, monetary policy and trade. He also served as Staff Director of the Banking Committee's Subcommittee on International Finance and Monetary Policy from 1987 to 1992. Major legislation in which Mr. Gruenberg played an active role during his service on the Committee includes the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), the Gramm-Leach-Bliley Act, and the Sarbanes-Oxley Act of 2002.

Mr. Gruenberg holds a J.D. from Case Western Reserve Law School and an A.B. from Princeton University, Woodrow Wilson School of Public and International Affairs.

Thomas J. Curry

Thomas J. Curry took office on January 12, 2004, as a member of the Board of Directors of the Federal Deposit Insurance Corporation for a six-year term. Mr. Curry serves as Chairman of the FDIC's Assessment Appeals Committee.

Mr. Curry also serves as the Chairman of the NeighborWorks® America Board of Directors. NeighborWorks® America is a national nonprofit organization chartered by Congress to provide financial support, technical assistance, and training for community-based neighborhood revitalization efforts.

Prior to joining the FDIC's Board of Directors, Mr. Curry served five Massachusetts Governors as the Commonwealth's Commissioner of Banks from 1990 to 1991 and from 1995 to 2003. He served as Acting Commissioner from February 1994 to June 1995. He previously served as First Deputy Commissioner and Assistant General Counsel within the Massachusetts Division of Banks. He entered state government in 1982 as an attorney with the Massachusetts Secretary of State's Office.

Director Curry served as the Chairman of the Conference of State Bank Supervisors from 2000 to 2001. He served two terms on the State Liaison Committee of the Federal Financial Institutions Examination Council, including a term as Committee chairman.

He is a graduate of Manhattan College (summa cum laude), where he was elected to Phi Beta Kappa. He received his law degree from the New England School of Law.

John C. Dugan

John C. Dugan was sworn in as the 29th Comptroller of the Currency on August 4, 2005. In addition to serving as a director of the FDIC, Comptroller Dugan also serves as a director of the Federal Financial Institutions Examination Council and NeighborWorks® America.

Prior to his appointment as Comptroller, Mr. Dugan was a partner at the law firm of Covington & Burling, where he chaired the firm's Financial Institutions Group. He specialized in banking and financial institution regulation. He also served as outside counsel to the ABA Securities Association.

He served at the Department of Treasury from 1989 to 1993 and was appointed assistant secretary for domestic finance in 1992. In 1991, he oversaw a comprehensive study of the banking industry that formed the basis for the financial modernization legislation proposed by the administration of the first President Bush. From 1985 to 1989, Mr. Dugan was minority counsel and minority general counsel for the U.S. Senate Committee on Banking, Housing, and Urban Affairs.

Among his professional and volunteer activities before becoming Comptroller, he served as a director of Minbanc, a charitable organization whose mission is to enhance professional and educational opportunities for minorities in the banking industry. He was also a member of the American Bar Association's committee on banking law, the Federal Bar Association's section of financial institutions and the economy, and the District of Columbia Bar Association's section of corporations, finance, and securities laws.

A graduate of the University of Michigan in 1977 with an A.B. in English literature, Mr. Dugan also earned his J.D. from Harvard Law School in 1981.

John M. Reich

John M. Reich was sworn in August 9, 2005, as Director of the Office of Thrift Supervision (OTS). The President nominated Mr. Reich to be OTS Director on June 7, 2005, and the Senate confirmed his nomination on July 29, 2005. In this capacity, Mr. Reich will continue to serve as a member of the Board of Directors of the FDIC.

Prior to joining OTS, Mr. Reich served as Vice Chairman of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC) since November 2002. He has been a member of the FDIC Board since January 2001. He also served as Acting Chairman of the FDIC from July to August 2001.

Prior to coming to Washington, DC, Mr. Reich spent 23 years as a community banker in Illinois and Florida, including ten years as President and CEO of the National Bank of Sarasota, in Sarasota, Florida.

Mr. Reich also served 12 years on the staff of U.S. Senator Connie Mack (R-FL), before joining the FDIC. From 1998 through 2000, he was Senator Mack's Chief of Staff, directing and overseeing all of the Senator's offices and committee activities, including those at the Senate Banking Committee.

Mr. Reich's community service includes serving as Chairman of the Board of Trustees of a public hospital facility in Ft. Myers, FL, and Chairman of the Board of Directors of the Sarasota Family YMCA. He has also served as a Board member for a number of civic organizations, and was active for many years in youth baseball programs.

Mr. Reich holds a B.S. degree from Southern Illinois University and an M.B.A. from the University of South Florida. He is also a graduate of Louisiana State University's School of Banking of the South.

FDIC Organization Chart/Officials
as of December 31, 2006

Board of Directors
Sheila C. Bair
Martin J. Gruenberg
Thomas J. Curry
John C. Dugan
John M. Reich

Office of the Chairman
Sheila C. Bair
Chairman

Vice Chairman
Martin J. Gruenberg

Office of Inspector General
Jon T. Rymer
Inspector General

Chief Information Officer and Chief Privacy Officer
Michael E. Bartell

Chief of Staff
Jesse O. Villarreal, Jr.

Office of Public Affairs
Andrew B. Stirling
Acting Director

Deputy to the Chairman and Chief Financial Officer
Steven O. App

- **Division of Finance**
  Frederick S. Selby
  Director
- **Office of Enterprise Risk Management**
  James H. Angel, Jr.
  Director

Deputy to the Chairman and Chief Operating Officer
John F. Bovenzi

- **Division of Supervision and Consumer Protection**
  Sandra L. Thompson
  Director
- **Division of Information Technology**
  Michael E. Bartell
  Director
- **Office of Diversity and Economic Opportunity**
  D. Michael Collins
  Director
- **Office of the Ombudsman**
  Cottrell L. Webster
  Ombudsman
- **Office of International Affairs**
  Fred S. Carns
  Director
- **Division of Insurance and Research**
  Arthur J. Murton
  Director
- **Division of Resolutions and Receiverships**
  Mitchell L. Glassman
  Director
- **Division of Administration**
  Arleas Upton Kea
  Director
- **Corporate University**
  Steven B. Mosier
  Acting Chief Learning Officer

Deputy to the Chairman
Alice C. Goodman

- **Office of Legislative Affairs**
  Eric J. Spitler
  Director

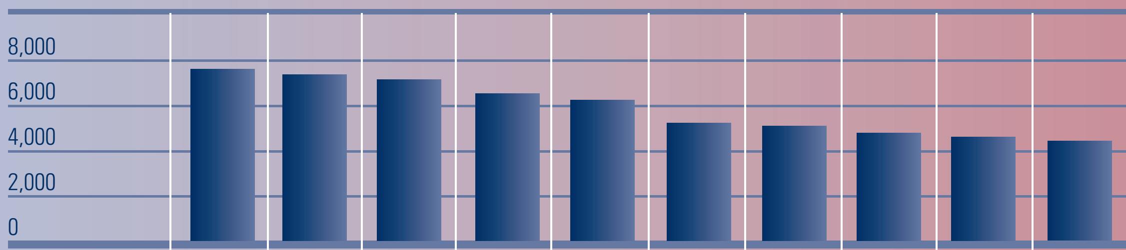
General Counsel
Douglas H. Jones*
Acting General Counsel

- **Legal Division**
  Douglas H. Jones*
  Acting General Counsel

*Sara A. Kelsey became General Counsel on January 7, 2007.

Corporate Staffing

Staffing Trends 1997-2006



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Staffing	**7,793**	**7,359**	**7,266**	**6,452**	**6,167**	**5,430**	**5,311**	**5,078**	**4,514**	**4,476**

Note:
All staffing totals reflect year-end balances.

Number of Officials and Employees of the FDIC 2005-2006 (year-end)

	Total		Washington		Regional/Field	
	2006	2005	2006	2005	2006	2005
Executive Offices•	**39**	37	**39**	37	**0**	0
Division of Supervision and Consumer Protection	**2,517**	2,541	**195**	198	**2,322**	2,343
Division of Resolutions and Receiverships	**231**	235	**57**	61	**174**	174
Legal Division	**413**	433	**263**	274	**150**	159
Division of Finance	**161**	175	**161**	175	**0**	0
Division of Information Technology▾	**274**	270	**214**	209	**60**	61
Division of Insurance and Research	**185**	178	**152**	146	**33**	32
Division of Administration	**311**	349	**207**	232	**104**	117
Office of Inspector General	**124**	127	**91**	95	**33**	32
Office of Diversity and Economic Opportunity	**28**	31	**28**	31	**0**	0
Office of the Ombudsman	**12**	12	**10**	10	**2**	2
Office of Enterprise Risk Management	**11**	11	**11**	11	**0**	0
Corporate University	**170**	115	**38**	37	**132**	78
Total	**4,476**	**4,514**	**1,466**	**1,516**	**3,010**	**2,998**

• Includes the Offices of the Chairman, Vice Chairman, Director (Appointive), Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Legislative Affairs, Public Affairs and International Affairs.

▾ Division of Information Resources Management was renamed to Division of Information Technology on September 4, 2005.

Sources of Information

Home Page on the Internet

www.fdic.gov

A wide range of banking, consumer and financial information is available on the FDIC's Internet home page. This includes the FDIC's Electronic Deposit Insurance Estimator (EDIE), which estimates an individual's deposit insurance coverage; the Institution Directory – financial profiles of FDIC-insured institutions; Community Reinvestment Act evaluations and ratings for institutions supervised by the FDIC; Call Reports – banks' reports of condition and income; and *Money Smart,* a training program to help individuals outside the financial mainstream enhance their money management skills and create positive banking relationships. Readers also can access a variety of consumer pamphlets, FDIC press releases, speeches and other updates on the agency's activities, as well as corporate databases and customized reports of FDIC and banking industry information.

FDIC Call Center

Phone: **877-275-3342 (877-ASK FDIC)**
703-562-2222

Hearing Impaired: 800-925-4618

The FDIC Call Center in Washington, DC, is the primary telephone point of contact for general questions from the banking community, the public and FDIC employees. The Call Center directly, or in concert with other FDIC subject-matter experts, responds to questions about deposit insurance and other consumer issues and concerns, as well as questions about FDIC programs and activities. The Call Center also makes referrals to other federal and state agencies as needed. Hours of operation are 8:00 a.m. to 8:00 p.m. Eastern Time. Information is also available in Spanish. Recorded information about deposit insurance and other topics is available 24 hours a day at the same telephone number.

Public Information Center
3501 Fairfax Drive
Room E-1002
Arlington, VA 22226

Phone: **877-275-3342 (877-ASK FDIC), or 703-562-2200**

Fax: **703-562-2296**

E-mail: **publicinfo@fdic.gov**

FDIC publications, press releases, speeches and Congressional testimony, directives to financial institutions, policy manuals and other documents are available on request or by subscription through the Public Information Center. These documents include the *Quarterly Banking Profile, FDIC Consumer News* and a variety of deposit insurance and consumer pamphlets.

Office of the Ombudsman
3501 Fairfax Drive
Room E-2022
Arlington, VA 22226

Phone: **877-275-3342 (877-ASK FDIC)**

Fax: **703-562-6057**

E-mail: **ombudsman@fdic.gov**

The Office of the Ombudsman (OO) is an independent, neutral and confidential resource and liaison for the banking industry and the general public. The OO responds to inquiries about the FDIC in a fair, impartial and timely manner. It researches questions and complaints primarily from bankers. The OO also recommends ways to improve FDIC operations, regulations and customer service.

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In keeping with the Reports Consolidation Act, the OIG has identified the following management and performance challenges facing the Corporation.[•] Each of the challenges we have identified is marked by one or more of the following characteristics:

1. It is important to the achievement of the FDIC mission and the strength of the nation's financial system.
2. It directly impacts consumers of financial services.
3. It involves significant resources, expenditures, or fiduciary responsibility.

The following challenges reflect the OIG's view of the Corporation's overall program and operational responsibilities; industry, economic, and technological trends; areas of congressional interest; relevant laws and regulations; the Corporation's priorities and corresponding corporate performance and Government Performance and Results Act goals; and the ongoing activities to address the issues involved.

Identifying and Mitigating Risks to the Insurance Funds

As of the end of the third quarter of 2006, the FDIC insured $4.095 trillion in deposits in 8,755 institutions. According to FDIC projections, if the current trend of industry consolidation continues, the banks the FDIC directly supervises will likely represent a smaller and smaller portion of the financial exposure it faces as deposit insurer. In fact, as of June 30, 2006, the ten largest FDIC-insured institutions controlled 44 percent of total insured assets and 42 percent of total insured deposits. The FDIC is the primary federal regulator for none of these institutions. The Corporation is also working to maintain strong regulatory capital standards under the Basel Accord and has been implementing major reforms in deposit insurance over the past ten months. Given these circumstances, the Corporation faces several challenges:

Assessing Risks in Large Banks:
To effectively fulfill its fundamental responsibilities as deposit insurer, the Corporation must ensure its large-bank program provides ready access to the information it needs to effectively identify and assess risks that large institutions, including those it does not supervise, pose to the Deposit Insurance Fund (DIF). Effectively communicating and coordinating with the other primary federal banking regulators is central to the Corporation's ability to meet this challenge. Moreover, given the inherent complexity of these large institutions, the FDIC must have or develop the capability to assess the risks associated with these institutions, which are different from those found in smaller banks. To strengthen its oversight of large banks, the Corporation has implemented some key programs: the Large Insured Depository Institutions program, Dedicated Examiner program, and Off-site Review program. The FDIC participates with the other federal regulators in the Shared National Credit program.

[•] Under the Reports Consolidation Act, the OIG is required to identify the most significant management and performance challenges facing the Corporation and provide its assessment to the Corporation for inclusion in its annual performance and accountability report (annual report). The OIG conducts this assessment yearly and identifies a number of specific areas of challenge facing the Corporation at the time.

Maintaining Strong Regulatory Capital Standards:
The FDIC and other regulators have evaluated policy options to ensure that large institutions and the industry as a whole maintain adequate capital and reserves under Basel II. The intent of Basel II is to more closely align regulatory capital with risk in large or multinational banks. In conjunction with the transition to Basel II, the FDIC and the other federal bank regulatory agencies are pursuing a more risk-sensitive capital framework for the institutions that are not subject to or that opt out of Basel II. This new Basel IA capital framework seeks to minimize potential inequities between large and small banks resulting from Basel II implementation while maintaining adequate capital levels and avoiding undue burden on the affected institutions.

In 2007, the federal bank regulatory agencies will review comments received in response to Basel II and Basel IA notices of proposed rulemaking, complete rulemaking for Basel IA, and eventually seek to make final rules for Basel II.

Implementing Deposit Insurance Reform:
On February 8, 2006, President Bush signed into law the FDI Reform Act of 2005, prompting sweeping changes in the federal deposit insurance system. The Congress gave the Corporation nine months to implement most of the provisions of the legislation, and the Corporation has worked diligently to do so. In October 2006, the Board of Directors approved a final rule to implement a one-time assessment credit to banks and thrifts. The credit will be used to offset future assessments charged by the FDIC and will recognize contributions that certain institutions made to capitalize the funds during the first half of the 1990s. In November 2006, the Board also adopted a final rule on the pricing structure and approved a more risk-sensitive framework for the 95 percent of insured institutions that are well capitalized and well managed.

Ensuring Institution Safety and Soundness Through Effective Examinations, Enforcement, and Follow-Up

Supervision is a cornerstone of the FDIC's efforts to ensure stability and public confidence in the nation's financial system. As of September 30, 2006, the FDIC was the primary federal regulator for 5,237 institutions. The FDIC performs risk management, information technology, trust, and other types of examinations of FDIC-supervised insured depository institutions. As part of risk management examinations, the FDIC also ensures that institutions comply with the regulatory requirements of the Bank Secrecy Act. The Corporation's system of supervisory controls must identify and effectively address financial institution activities that are unsafe, unsound, illegal, or improper before the activities cause a drain on the insurance funds. Specific challenges related to this core FDIC mission include:

Maintaining an Effective Examination and Supervision Program:
The FDIC has adopted a risk-focused approach to examinations to minimize regulatory burden and direct its resources to those areas that carry the greatest potential risk. The FDIC must also ensure that financial institutions have adequate corporate governance structures relative to the bank's size, complexity, and risk profile to prevent financial losses and maintain confidence in those entrusted with operating the institutions. The FDIC's follow-up processes must be effective to ensure institutions are promptly complying with supervisory actions that arise as a result of the FDIC's examination process.

Granting Insurance to and Supervising Industrial Loan Companies: The FDIC is the primary federal regulator for a number of industrial loan companies (ILCs), which are limited-charter depository institutions. ILCs may be owned by commercial firms, and these parents may not be subject to consolidated supervision by a federal banking regulator. As of September 30, 2006, there were 58 operating ILCs with aggregate total assets of $177 billion. The FDIC must establish and maintain effective controls in its processes for granting insurance to, supervising, and examining ILCs, taking into consideration the relationship between the ILC and its parent company and the effect of such a relationship on the ILC. This is particularly important when the ILC's holding company is not subject to the scope of consolidated supervision, consolidated capital requirements, or enforcement actions imposed on parent organizations subject to the Bank Company Holding Act.

In July 2006, the FDIC placed a six-month moratorium on ILC deposit insurance applications and change of control notices. The Corporation wanted time to assess developments in the ILC industry; determine whether any emerging safety and soundness or policy issues exist; and evaluate whether statutory, regulatory, or policy changes needed to be made in the oversight of these institutions. While the moratorium is set to expire at the end of January, a number of congressional representatives have voiced concern over mixing banking and commerce and have urged the Corporation to extend its freeze on granting industrial loan charters to commercial applicants. This issue will continue to require FDIC attention.

Contributing to Public Confidence in Insured Depository Institutions

Guarding Against Financial Crimes in Insured Institutions: All financial institutions are at risk of being used to facilitate or being victimized by criminal activities including money laundering and terrorist financing. Such activities serve to undermine public confidence in the nation's financial system. The Corporation is faced with developing and implementing programs to minimize the extent to which the institutions it supervises are involved in or victims of financial crimes and other abuse. Increased reliance by both financial institutions and non-financial institution lenders on third-party brokers has also created opportunities for increased real-estate frauds, including property flipping and other mortgage frauds. Examiners must be alert to the possibility of multiple types of fraudulent activity in financial institutions, which is inherently difficult because fraud is both purposeful and hard to detect.

Part of the FDIC's overall responsibility and authority to examine banks for safety and soundness is the responsibility for examining state-chartered non-member financial institutions for compliance with the Bank Secrecy Act (BSA). The BSA requires financial institutions to keep records and file reports on certain financial transactions. FDIC-supervised institutions must establish and maintain procedures to assure and monitor compliance with BSA requirements. An institution's level of risk for potential money laundering determines the necessary scope of the BSA examination. In a related vein, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) promulgates, develops, and administers economic and trade sanctions such as trade embargoes, blocked assets controls, and other commercial and financial restrictions under the provisions of various laws. Generally, OFAC regulations prohibit financial institutions from engaging in transactions with the governments of, or individuals or entities associated with, foreign countries against which federal law imposes economic sanctions. Sanctions can also be used against international drug traffickers, terrorists, or foreign terrorist organizations, regardless of national affiliation. A challenge for the FDIC is to provide effective supervision of compliance with OFAC regulations by FDIC-supervised institutions.

In its role as supervisor, the FDIC also analyzes data security threats, occurrences of bank security breaches, and incidents of electronic crime that involve financial institutions. Misuse and misappropriation of personal information are emerging as major developments in financial crime. Despite generally strong controls and practices by financial institutions, methods for stealing personal data and committing fraud with that data are continuously evolving. The FDIC must continue its work in assuring the security of customer data against such criminal activity to help maintain the public's trust and confidence in the banking system.

Protecting and Educating Consumers and Ensuring Compliance Through Effective Examinations, Enforcement, and Follow-up

The FDIC protects consumers through its oversight of a variety of statutory and regulatory requirements aimed at safeguarding consumer privacy and preventing unfair and unscrupulous banking practices. Through community outreach efforts and technical assistance, the FDIC encourages lenders to work with members of their local communities in meeting the communities' credit needs and to serve the unbanked and underbanked members of their communities. Specific challenges include:

Safeguarding the Privacy of Consumer Information:
The FDIC implements regulations and conducts regularly scheduled examinations to verify that institutions comply with laws designed to protect personal information, which serve to guard against the growing threat of identity theft. The FDIC evaluates the adequacy of financial institutions' programs for securing customer data and may pursue informal or formal supervisory action if it finds a deficiency. Banks are increasingly using third-party servicers to provide support for core information and transaction processing functions and these servicers may operate domestically or abroad. Notwithstanding such reliance, the obligations of a financial institution to protect the privacy and security of customer information under U.S. laws and regulations remain in full effect. Thus, an added challenge for the Corporation in examining and enforcing compliance with consumer privacy and protection laws exists because the FDIC expects institutions to effectively manage the risks and adequately oversee the third-party service providers.

Promoting Fairness and Inclusion in the Delivery of Information, Products, and Services to Consumers and Communities:
FDIC Chairman Bair has stressed the importance of economic inclusion and has expressed concern that market mechanisms are not working as well as they should for low-to-moderate income families who must often pay high amounts for basic financial services that others obtain at far less cost. Many people lack the financial skills needed to analyze and compare products and their prices. Oftentimes the problem is the lack of disclosures that describe a product and its true costs in fair and simple terms. Another factor could be linked to aspects of safety and soundness regulation that could unnecessarily deter banks from serving the needs of their communities or create conditions that favor high-cost products. To address these concerns, in addition to the FDIC's existing *Money Smart* program, the Corporation is undertaking two new initiatives—a military lending initiative

and a newly created Advisory Committee on Economic Inclusion. As the Chairman has pointed out, continuing dialogue among consumer advocates, regulators, and the banking industry is key to the challenge of closing the gap between what the unbanked and underbanked pay for credit and what those in the mainstream pay. The challenge is to balance the need for regulation while avoiding inappropriate or undue interference in legitimate business activities.

Ensuring Compliance with Laws and Regulations and Follow-up on Violations:
The FDIC has supervisory responsibilities for ensuring that the financial institutions it supervises comply with fair lending, disclosure, and various other consumer protection laws and regulations. The compliance examination is the primary means by which the FDIC determines the extent to which a financial institution is complying with these requirements. Over 20 consumer protection laws and related regulations are addressed by compliance examinations, including the Home Mortgage Disclosure Act, Fair Housing Act, Truth in Lending Act, Equal Credit Opportunity Act, and Fair and Accurate Credit Transaction Act. The FDIC also conducts Community Reinvestment Act examinations. The FDIC conducts visitations and investigations to review the compliance posture of newly chartered institutions coming under FDIC supervision or to follow up on an institution's progress on corrective actions. Investigations are used to follow up on a particular consumer's inquiries or complaints. The compliance program, including examination and follow-up supervisory attention on violations and other program deficiencies, helps to ensure that consumers and businesses obtain the benefits and protections afforded them by law. In instances where repeat violations occur, the FDIC must remain vigilant in ensuring appropriate corrective actions are taken.

Being Ready for Potential Institution Failures

The FDIC is responsible for the resolution of failed banks or savings associations. The Corporation is required by law to protect taxpayers by prudently managing the Deposit Insurance Fund and to protect insured depositors by using the assets of the fund to pay insured deposits at the time of institution failure. The trend toward fewer failures over the past few years changes the nature of the challenge for the FDIC. The Corporation is exploring new strategies for planning for failing and failed institutions, including large or multiple bank failures. Catastrophic events such as the multiple hurricanes that occurred during 2005 – which can threaten institution stability – also underscore the need for the Corporation's readiness to respond.

Given the industry's increase in merger and acquisition activity, banks are becoming more geographically diverse and complex, and institutions are much larger than they have been historically. As a result, the FDIC could potentially face the challenge of handling a failing institution with a significantly larger number of insured deposits than it has had to in the past. The FDIC Board is soliciting comments on proposed improvements to the process of determining the insurance status of depositors of larger institutions in the event of a failure to facilitate the related deposit insurance claims process. The FDIC has also been developing a new claims determination system. The Corporation's ability to rapidly determine the insured status of deposit accounts is essential to resolving bank failures in the most cost-effective and least disruptive manner.

Promoting Sound Governance and Managing and Protecting Human, Financial, Information Technology, Physical, and Procurement Resources

The FDIC must practice sound governance and effectively manage and utilize a number of critical strategic resources in order to carry out its mission successfully, particularly its human, financial, information technology (IT), physical, and procurement resources. The FDIC Board of Directors plays a critical role in this regard, and FDIC management has emphasized its stewardship responsibilities in its strategic planning process. A number of key management activities pose challenges to corporate leadership and managers, as discussed below:

Corporate Governance and Enterprise Risk Management:
The FDIC is managed by a five-person Board of Directors, all of whom are appointed by the President and confirmed by the Senate, with no more than three being from the same political party. At least one Board member must have State bank supervisory experience. The Board includes the Directors of the Office of the Comptroller of the Currency and the Office of Thrift Supervision. Given the inevitability of relatively frequent changes in the Board make-up, it is essential that a strong and sustainable governance process is in place and that Board members have and share the information needed at all times to make sound policy and management decisions.

As an important part of its governance process, the FDIC has established a risk management and internal control program. In the spirit of OMB Circular A-123, the Corporation has committed to adopting an enterprise risk management approach to identifying and analyzing risks on an integrated, corporate-wide basis. Revised OMB Circular A-123, which became effective for fiscal year 2006, requires a strengthened process for conducting management's assessment of the effectiveness of internal control over financial reporting. The circular also emphasizes the need for agencies to integrate and coordinate internal control assessments with other internal control-related activities, and ensure that an appropriate balance exists between the strength of controls and the relative risk associated with particular programs and operations.

Human Capital Management:
In the past several years, the FDIC has undergone significant restructuring and downsizing in response to changes in the industry, technological advances, and business process improvements and, as with many government agencies, the FDIC anticipates a high level of retirement in the next five years. Amidst such change, the Corporation formulated a human capital strategy to guide the FDIC through the rest of this decade. The FDIC Corporate University was created to play a key role in training, developing, and maintaining a highly skilled, professional workforce to carry out the FDIC mission. One of the initiatives it sponsors is the Corporate Employee Program, designed to help create a more adaptable permanent workforce that reflects a more collaborative and corporate approach to meeting critical mission functions. Additionally, developing new leaders and engaging in succession planning pose a challenge. In this regard, the Corporation has developed an Executive Candidate Development Program that it plans to pilot to identify high-potential employees to develop for future executive management positions. The Corporation also piloted a Talent Review Program this year that focused on executive succession management needs and executive development needs. Finally, in an age of identity theft risks, another challenge in human capital management is to maintain effective controls to protect personal employee-related information that the Corporation possesses. The appointment of a chief privacy officer and implementation of a privacy program have been positive steps in addressing that challenge.

Financial Management:
The FDIC's operating expenses are largely paid from the insurance fund, and consistent with sound corporate governance principles, the Corporation must continuously seek to be efficient and cost-conscious. Because about 65 percent of the FDIC's budget costs are personnel-related, a challenge to the Corporation is to ensure that budgeted resources are properly aligned with workload. The Board approved a $1.1 billion Corporate Operating Budget for 2007, approximately 4.6 percent higher than for 2006. The approved budget provides funding for additional compliance examiners, increased employee training, enhanced IT security and privacy programs, and completion of systems changes required to support the implementation of deposit insurance reform.

With respect to capital investments, effective planning and management of IT and non-IT capital investments are mandated by Congress and by the Office of Management and Budget for most federal agencies. Although many of these laws and executive orders are not legally binding on the FDIC, the Corporation recognizes that they constitute sound business practices and has decided to voluntarily adopt them in whole, or in part. The underlying financial management challenge facing the FDIC is to carry out approved investment projects on time and within budget, while realizing anticipated benefits. The Corporation's 2007 spending on multi-year investment projects separately approved by the Board is expected to be approximately $19 million to $23 million.

The Corporation is continuing to implement its New Financial Environment, intended to meet current and future financial management and financial information needs; improve corporate financial business processes; and redirect resources from transaction processing to analysis, risk management, and decision support.

Information Technology Management:
The FDIC seeks to maximize its IT resources to improve the efficiency and effectiveness of its operational processes. The Corporation operates a nationwide computing network and maintains more than 250 application systems for staff to carry out their responsibilities. To address IT management challenges, the FDIC must focus on the capital planning and investment processes for IT and maximize the effectiveness of the Chief Information Officer Council and Program Management Office, both of which play a continuing role in reviewing the portfolio of approved IT projects and other initiatives. The Corporation has also employed a new system development life cycle methodology to enhance its ability to effectively and efficiently manage IT project resources. It must also continue to enhance its Enterprise Architecture program by identifying duplicative resources/investments and opportunities for internal and external collaboration to promote operational improvements and cost-effective solutions to business requirements.

The establishment of an integrated and streamlined e-government infrastructure is a key component of the Corporation's target EA. In this regard, the Corporation has initiated a number of major projects designed to improve internal operations, communications, and service to members of the public, business, and other government entities. The challenge is to ensure that such projects are consistent with e-government principles and implementing guidance from the Office of Management and Budget.

IT and Physical Security:
To achieve its mission, the FDIC relies on automated information systems to collect, process, and store vast amounts of banking and other sensitive information. Much of this information is used by financial regulators, academia, and the public to monitor bank performance, develop regulatory policy, and to research and analyze important banking issues. Ensuring the integrity, availability, and appropriate confidentiality of this information in an environment of increasingly sophisticated security threats and global connectivity requires a strong records management program and a correspondingly effective enterprise-wide information security program.

As a result of focused attention over the last several years, the FDIC has made significant progress in improving its information security program and practices. However, continued management attention is needed in certain key security control areas such as enterprise architecture, configuration management, access controls, and audit and accountability controls.

In light of past terrorist-related disruptions and, more recently, adverse impacts of natural disasters, the importance of corporate disaster recovery and business continuity planning has been underscored and elevated to an enterprise-wide level. The FDIC must be sure that its emergency response plans provide for the safety and physical security of its personnel and ensure that its business continuity planning and disaster recovery capability keep critical business functions operational during any emergency. Threats to public health such as a pandemic influenza could also put the Corporation's internal emergency preparedness to the test. In its role as a regulator, the Corporation has also joined with the other financial regulatory agencies in issuing an interagency advisory to financial institutions and their technology service providers to raise awareness regarding the threat of a pandemic influenza outbreak and its potential impact on the delivery of critical financial services.

Procurement Management:
Over the past few years, the FDIC has increased its reliance on outsourcing for services such as IT infrastructure support, IT application system development, and facilities maintenance. As of March 2006, in fact, the value of the FDIC's active contracts totaled over $1.6 billion. The Corporation has also downsized and reduced its contracting staff over the same time frame, which has posed challenges to contract administration activities. Given this environment, effective and efficient processes and related controls for identifying needed goods and services, acquiring them, and monitoring contractors after the contract award must be in place and operate well. Also, a number of new contracting vehicles and approaches have been implemented. For example, the Corporation combined approximately 40 IT-related contracts into one contract with multiple vendors for a total program value of $555 million over ten years. Also, for the first time, the FDIC is using a large technical infrastructure contract through the General Services Administration (GSA) valued at over $340 million. Along with the expected benefits of these contracts come challenges. The Corporation has not previously outsourced a procurement process to GSA, and both new contracts are performance-based, requiring different oversight mechanisms and strategies than the time and materials contracts that the Corporation has historically used.

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Federal Deposit Insurance Corporation

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