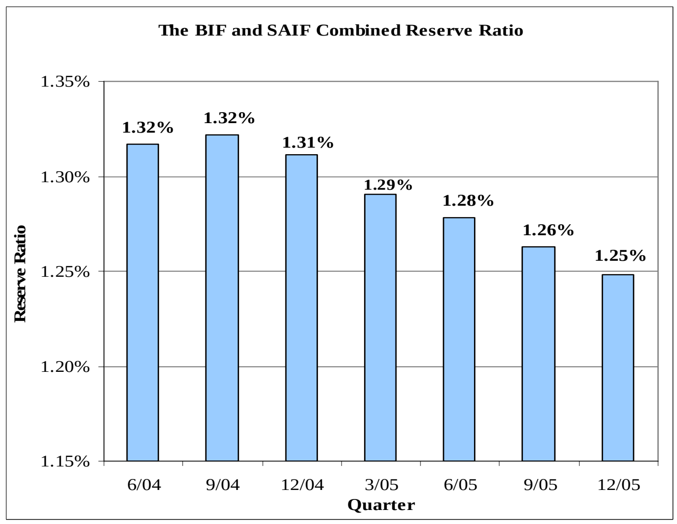
Current Status of the Fund

The FDIC merged the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to form the Deposit Insurance Fund (DIF) on March 31, 2006 in accordance with the Federal Deposit Insurance Reform Act of 2005. The BIF and SAIF financial data of prior periods have been combined to facilitate comparison with DIF.

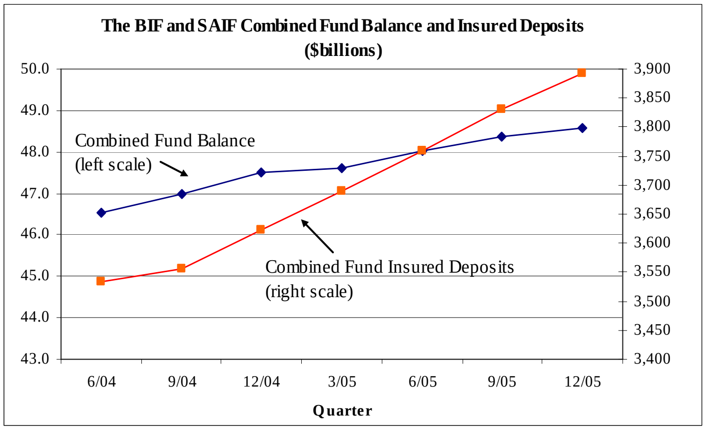


The BIF and SAIF combined reserve ratio was 1.25 percent as of December 31, 2005, the latest date for which complete data are available.[1] In the quarter ending March 31, 2006, the combined fund balance, which is the numerator of the reserve ratio, rose by $596 million, including $346 million from the recognition of exit fee income, to $49.193 billion (unaudited), from $48.597 billion on December 31, 2005. During the first quarter, income from interest and other sources other than the exit fee income exceeded operating expenses and provisions for insurance fund losses by $307 million. This increase to the fund balance was partially offset by an unrealized loss on available-for-sale securities of $57 million. The contingent liability

[1] The Federal Deposit Insurance Reform Conforming Amendments Act of 2005 removed the restriction on SAIF-member exit fees, which were taken into income of the DIF on March 31, 2006. Had these funds been added to the BIF and SAIF combined fund as of December 31, 2005, the combined reserve ratio as of December 31, 2005 would be higher by close to one basis point, or 1.26 percent.

for anticipated failures increased from $5.4 million on December 31st to $9.3 million on March 31st.

Final data on insured deposits, the denominator for the reserve ratio, are not available at this time because not all March 31, 2006 Call Reports have been filed. Staff conducted a telephone survey at the beginning of May to determine the amount of insured deposits at some of the largest financial institutions. This survey, combined with preliminary Call Report and Thrift Financial Report information, provide a reasonable and timely estimate of first quarter 2006 insured deposit growth. This estimate shows insured deposits rose in the quarter ending March 31, 2006 by 2.9 percent to $4.0 trillion. This level of insured deposits results in an estimated DIF reserve ratio as of March 31, 2006 of 1.23 percent, which is a 2 bp decline from the December 2005 ratio.



In the assessment rate cases presented to the Board in November 2005, staff's best estimate was that the BIF reserve ratio at June 30, 2006 would be 1.22 percent, and the SAIF reserve ratio would be 1.29 percent.[2] This would result in a combined reserve ratio of 1.24 percent as of June 30, 2006, down from the June 30, 2005 combined ratio of 1.28 percent. Based on the preliminary estimates for March 31, the DIF reserve ratio is 5

[2] Staff projected lower and upper bounds for the June 30, 2006 BIF reserve ratio of 1.18 percent and 1.26, percent, respectively. For SAIF, staff projected a lower bound of 1.24 percent and upper bound of 1.33 percent for the June 30, 2006 reserve ratio.

bp below the June 30, 2005 combined reserve ratio. In preparing the November assessment rate cases, staff assumed that between June 30, 2005 and June 30, 2006 there would be modest loss provisions for insurance losses. So far, however, DIF has benefited from negative provisions for losses for the 9 months ending in March 2006.

On the other hand, preliminary estimates of insured deposit growth for the 9 months ending in March 2006 have been higher than anticipated for the 12-month period through June 30, 2006 (about 6.6 percent over 9 months, compared to a 5.6 percent 12-month growth projection from June 30, 2005 through June 30, 2006 in the November Board case).