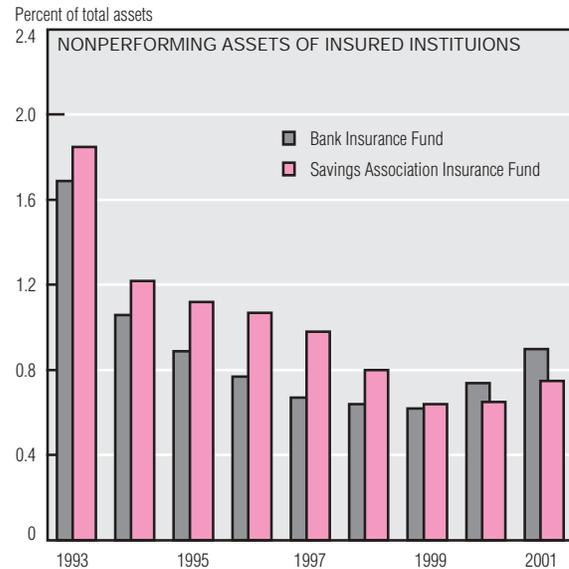
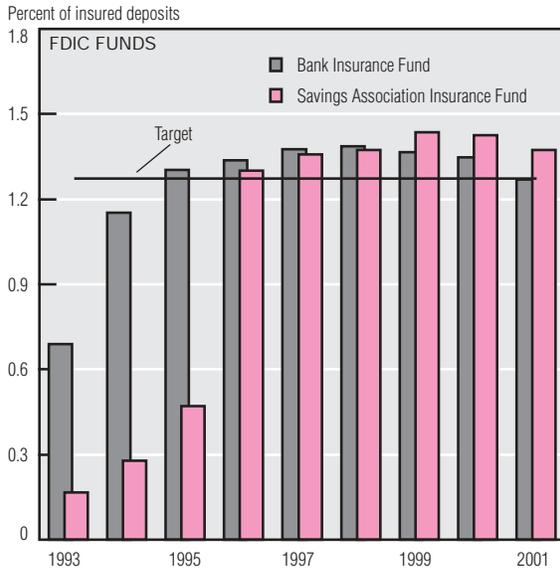


Federal Deposit Insurance Corporation Funds



BIF Assessment Base Distribution, December 31, 2001 ^a (Number of members and total assessable deposits in billions of dollars)						
Capital group	Supervisory Risk Subgroup					
	A		B		C	
	Members	Deposits	Members	Deposits	Members	Deposits
1. Well capitalized	7,722	3,467	387	65	62	20.5
2. Adequately capitalized	134	28.1	17	1.2	11	1.9
3. Undercapitalized	3	0.5	1	0.1	7	0.4

SAIF Assessment Base Distribution, December 31, 2001 ^b (Number of members and total assessable deposits in billions of dollars)						
Capital group	Supervisory Risk Subgroup					
	A		B		C	
	Members	Deposits	Members	Deposits	Members	Deposits
1. Well capitalized	1,163	858.4	80	29.7	18	4.9
2. Adequately capitalized	11	1.3	9	1.7	3	1.0
3. Undercapitalized	0	0.0	1	0.0	2	0.3

a. BIF-assessable deposits held by both BIF and SAIF members.
 b. SAIF-assessable deposits held by both BIF and SAIF members.
 SOURCE: Federal Deposit Insurance Corporation, *Quarterly Banking Profile*, various issues.

Insured deposit growth in 2000 and 2001, coupled with increased costs associated with bank and thrift failures, had a detrimental effect on the Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF) of the Federal Deposit Insurance Corporation. At the end of 2001, BIF reserves stood at 1.27% of insured deposits, down from the 1998 peak of 139 basis points (bp) of reserves for each dollar of insured deposits, making 2001 the third consecutive year of decline in the BIF reserve ratio. SAIF reserves stood

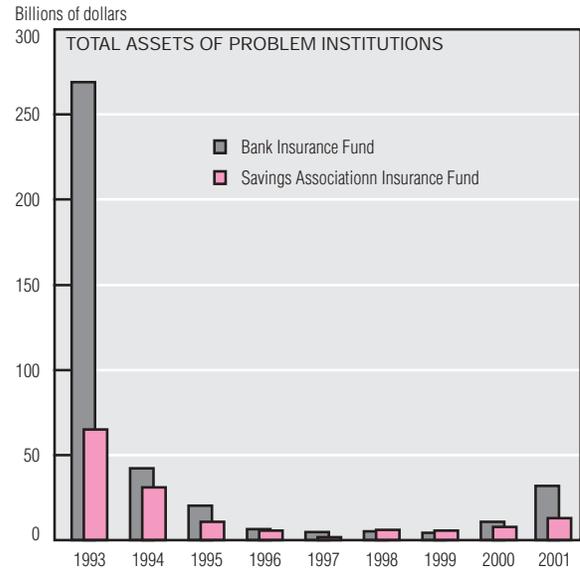
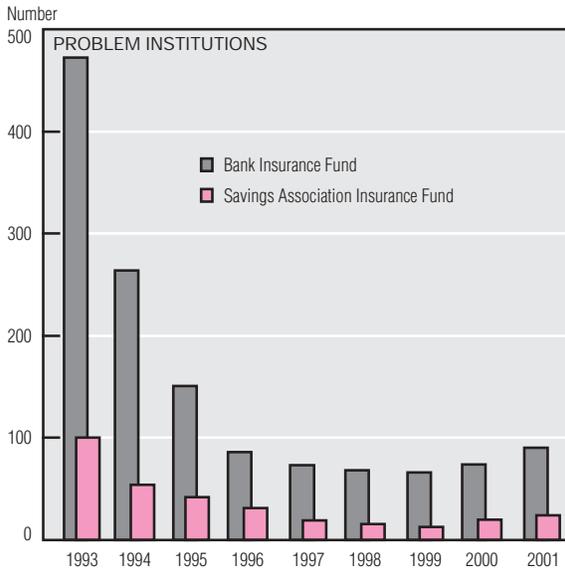
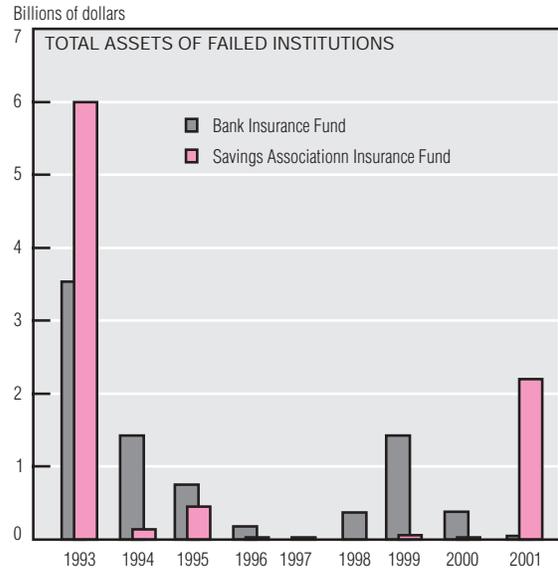
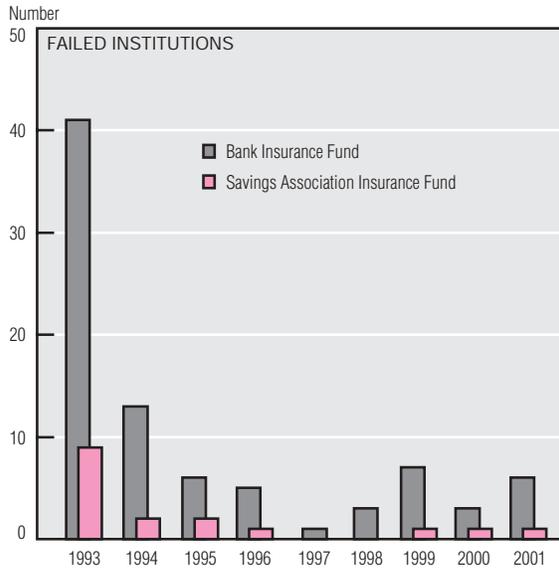
at 1.37% of insured deposits, the second straight year of decline from the 1999 peak of 144 bp per dollar of insured deposits. Both funds, however, still exceed the 1.25% target Congress set in the Financial Institution Reform, Recovery and Enforcement Act of 1989.

The Federal Deposit Insurance Corporation Improvement Act of 1991 mandated that FDIC insurance premiums be adjusted for risk. To do this, for each fund the FDIC assigns an insured institution to one of nine risk groups (three groups, A–C, each with

three supervisory risk subgroups, 1–3) based on their level of capitalization and most recent examination rating. With both funds exceeding their target reserve ratio, the statute mandates that well-capitalized institutions in the least risky subgroup (A) pay no premiums. Currently, more than 92% of all BIF members and more than 90% of all SAIF members are in this subgroup. Furthermore, these banks and thrifts account for nearly 97% of the BIF's—and 96% of the SAIF's—assessable deposits.

(continued on next page)

Federal Deposit Insurance Corporation Funds (cont.)



SOURCE: Federal Deposit Insurance Corporation, *Quarterly Banking Profile*, various issues.

The solid position of the two FDIC funds is evidenced by the stability of the banking and thrift industries. Bank failures since 1995 have been miniscule in terms of the number of failed institutions as well as their total assets. The six BIF members that failed in 2001 were mainly small institutions with total assets of only \$52 million. For the third straight year, only one member of the SAIF failed. That member, however, was sizable; it had \$2.2 billion in assets when it closed.

The rarity of thrift institution failures over the past seven years contrasts vividly with the widespread solvency problems that plagued the industry throughout the 1980s. Although the number of bank and thrift failures has increased lately, total failures represent a tiny percent of FDIC-insured institutions in terms of both number of firms and total assets.

The number of problem institutions (those with substandard examination ratings) increased from 74 to 90 for the BIF and from 20 to 24 for the SAIF from year-end 2000.

Moreover, for both FDIC funds, the increase in the number of problem institutions was matched by an increase in their assets. For both funds, however, the continued low number of problem institutions and the small amount of assets they held suggest that insurance fund losses will remain low in the near future. This conjecture is supported by the low levels of nonperforming assets as a percent of total assets on the books of BIF and SAIF members.