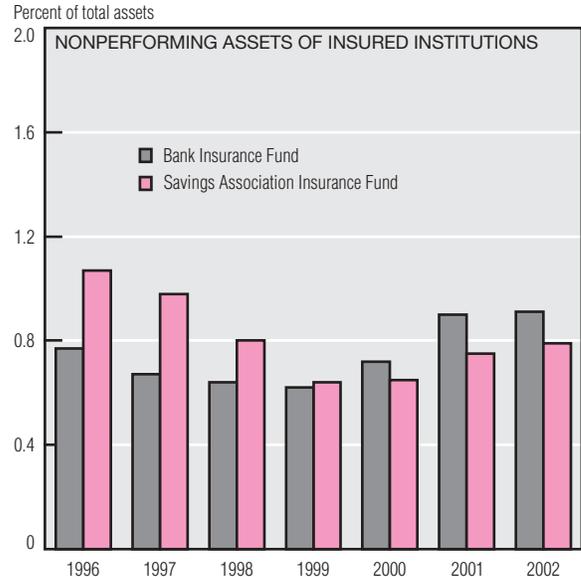
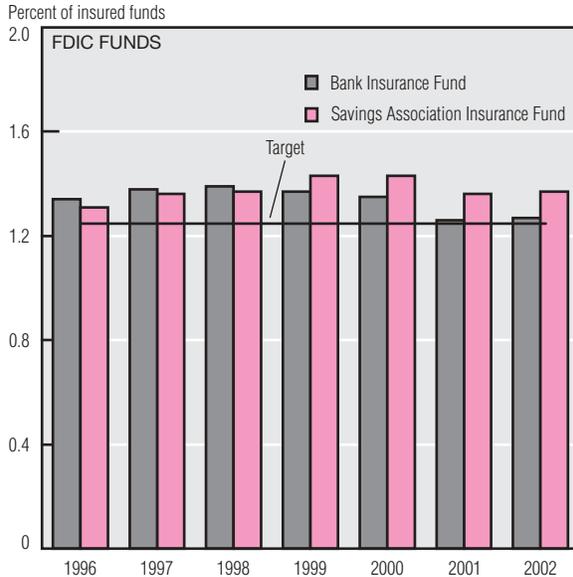


Federal Deposit Insurance Corporation Funds



Capital group	Assessable deposits as of December 31, 2002					
	Supervisory risk subgroup			Assessable deposit base (millions of dollars)		
	A	B	C	A	B	C
1. Well-capitalized	7,470	441	97	3,738	87	23
2. Adequately capitalized	106	13	10	15	2	1
3. Under-capitalized	1	0	5	0	0	1

Capital group	Assessable deposits as of December 31, 2002					
	Supervisory risk subgroup			Assessable deposit base (millions of dollars)		
	A	B	C	A	B	C
1. Well-capitalized	1,113	82	18	959	27	2
2. Adequately capitalized	7	4	4	1	0	0
3. Under-capitalized	0	0	1	0	0	0

a. "Number" refers to BIF members; "base" refers to the BIF-assessable deposits held by both BIF and SAIF members.
 b. "Number" refers to SAIF members; "base" refers to the SAIF-assessable deposits held by both BIF and SAIF members.
 SOURCE: Federal Deposit Insurance Corporation, *Quarterly Banking Profile*, various issues.

Insured deposit growth in 2001 and 2002, coupled with the increased costs associated with bank and thrift failures, had a detrimental effect on the FDIC's Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF). BIF reserves stood at 1.27% of insured deposits at the end of 2002, down considerably from the peak of 139 basis points (bp) of reserves for each dollar of insured deposits in 1998—and the fourth straight year the BIF reserve ratio declined. SAIF reserves stood at 1.37%

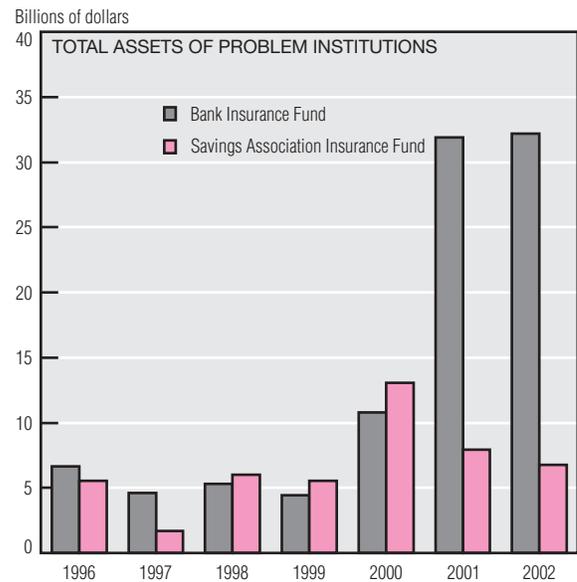
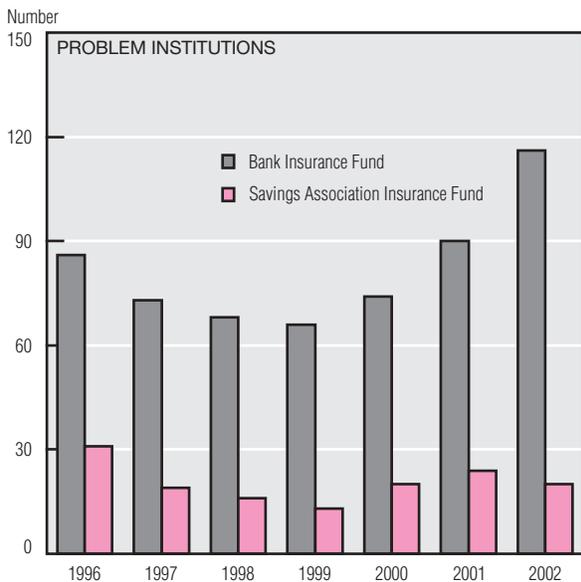
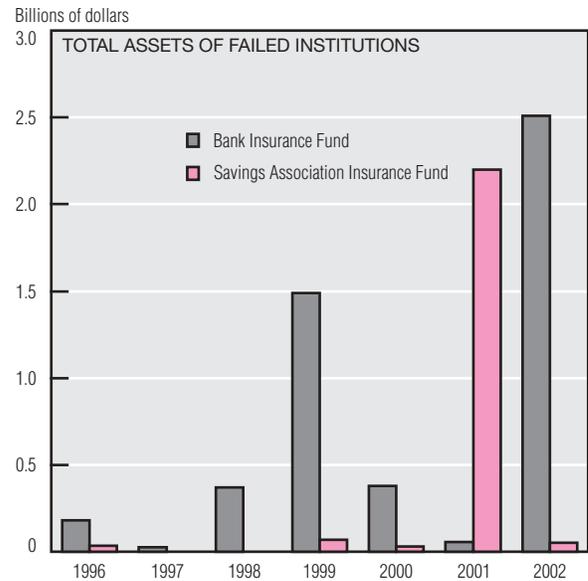
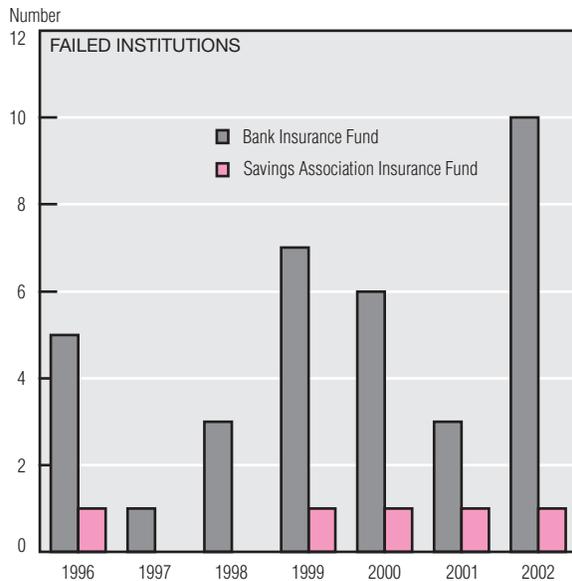
of insured deposits, about 7 bp below the 1999 peak of 144 bp of reserves per dollar of insured deposits. Both funds, however, still exceed the 1.25% target set by Congress in the Financial Institution Reform, Recovery, and Enforcement Act of 1989.

The Federal Deposit Insurance Corporation Improvement Act of 1991 mandated that FDIC insurance premiums be risk adjusted. To do this, for each fund the FDIC assigns an insured institution to one of nine risk groups, each supervisory risk group having

three subgroups, based on their most recent examination rating and their level of capitalization. With both funds above their target reserve ratio, institutions in supervisory risk group A that are well capitalized pay no premiums by statute. Currently, more than 93% of all BIF members and more than 91% of all SAIF members are in this group. Furthermore, these banks and thrifts account for nearly 97% of the BIF's assessable deposits and 97% of the SAIF's.

(continued on next page)

Federal Deposit Insurance Corporation Funds (cont.)



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

The stability of the banking and thrift industries attests to the solid position of the two FDIC funds. The number of bank failures since 1995 has been miniscule in terms of failed institutions' numbers and total assets. The 10 BIF members that failed in 2002 were primarily small institutions, with assets totaling \$2.51 billion. For the fourth straight year, only one SAIF member failed. When it closed, it had \$50 million in assets. The handful of thrift institution failures over the past eight years contrasts dramatically with

the widespread solvency problems that plagued the industry throughout the 1980s. While the number of bank and thrift failures has increased recently, total failures still represent only a tiny percent of FDIC-insured institutions in terms of number of firms and total assets.

Problem institutions (those with substandard examination ratings) increased from 90 to 116 for the BIF and decreased from 24 to 20 for the SAIF from the end of 2001 to the end of 2002. Moreover, total assets of problem institutions increased from

\$31.88 billion in 2001 to \$32.18 billion in 2002 for the BIF; for the SAIF, assets declined from \$7.92 billion in 2001 to \$6.75 billion in 2002.

For both funds, however, the continued low number of problem institutions and the small amount of assets they held suggest that the insurance funds' 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.