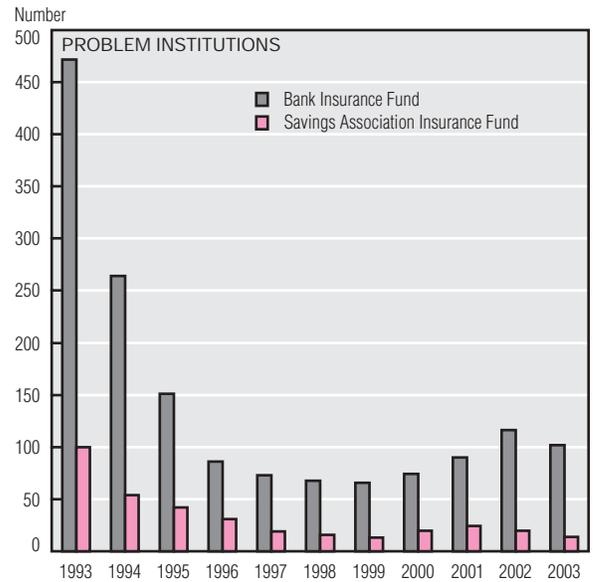
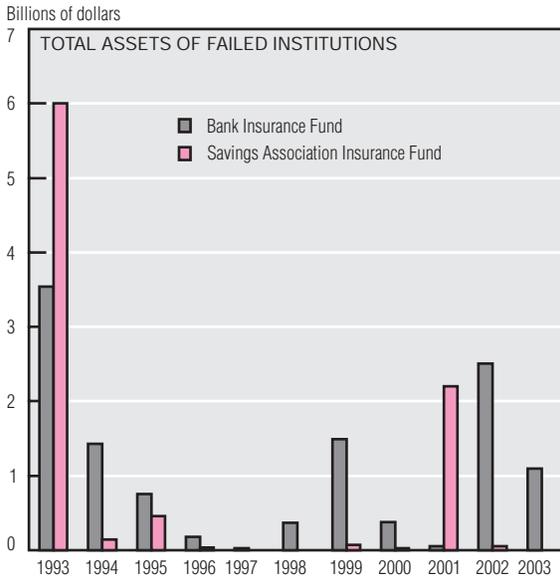
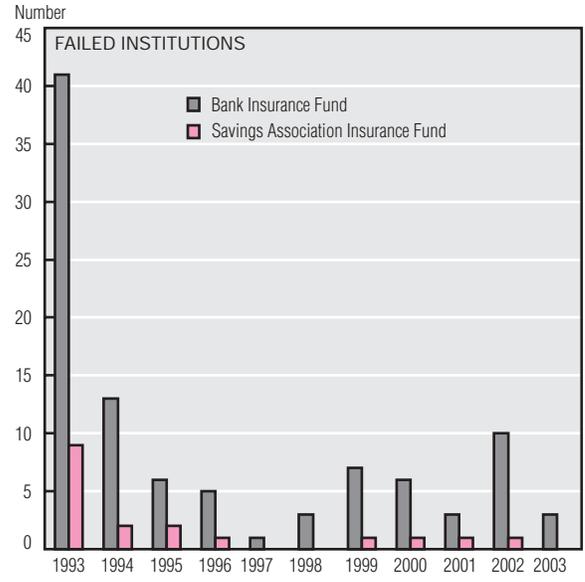
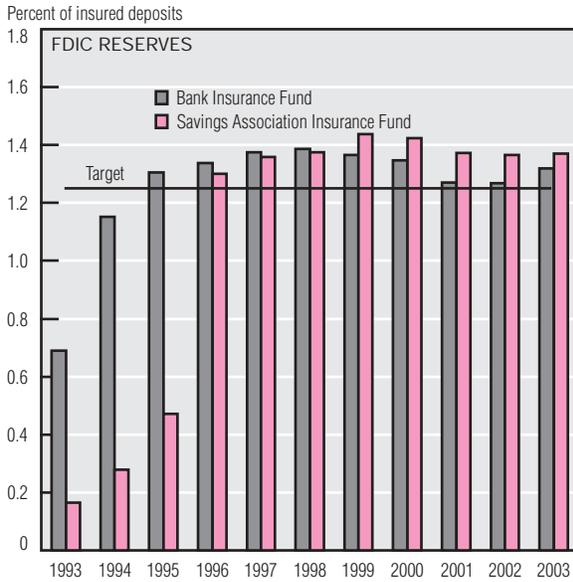


FDIC Funds



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

Insured deposits have grown over the past five years at an average annual rate of nearly 4% for members of the Bank Insurance Fund (BIF) and more than 5% for members of the Savings Association Insurance Fund (SAIF), both funds of the Federal Deposit Insurance Corporation. This robust deposit growth, coupled with the increased costs associated with bank and thrift failures from 2000 to 2003, has had a small but detrimental impact on the two funds.

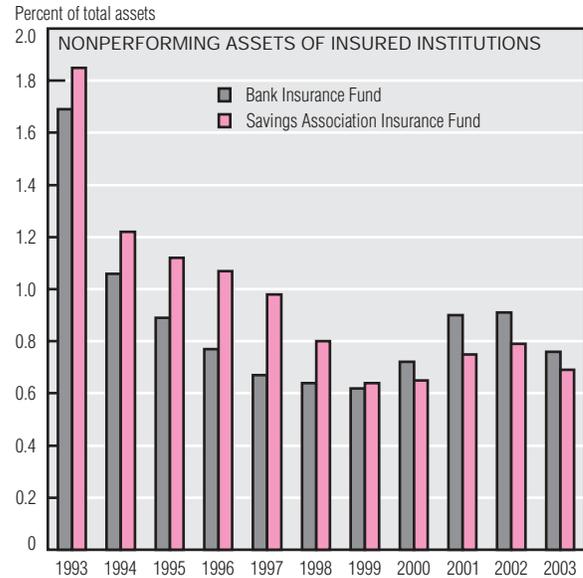
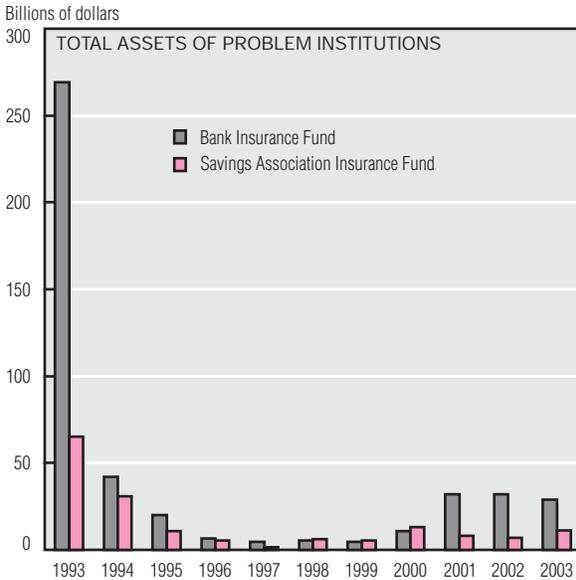
While BIF reserves increased between 2002 and 2003, they stood at

1.32% of insured deposits at the end of this period, compared to their peak of 1.39% in 1998. SAIF reserves stood at 1.37% of insured deposits, making 2003 the third straight year that the fund balance grew at the same rate as SAIF-insured deposits; however, it was still below the peak of 144 basis points of reserves per dollar of insured deposits that it reached in 1999. Both funds are considered stable because their year-end reserves continue to exceed the 1.25% target set by Congress in the Financial Institution Reform, Recovery, and Enforcement Act of 1989.

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 numbers and total assets of the failed institutions. The three BIF members that failed in 2003 were small institutions with total assets of only \$1,097 million. For the third time in the last seven years, no SAIF member failed; it has been more than eight years since more than one SAIF member failed in a single year. The minimal number of thrift institution failures over the past decade contrasts

(continued on next page)

FDIC Funds (cont.)



BIF Assessment Base Distribution^a (Number of members and total assessable deposits in billions of dollars)						
Capital group	Supervisory Risk Group					
	A		B		C	
	Members	Deposits	Members	Deposits	Members	Deposits
1. Well capitalized	7,357	3,988	468	119	81	20
2. Adequately capitalized	64	10	9	1	9	1
3. Undercapitalized	2	0	0	0	6	0

SAIF Assessment Base Distribution^b (Number of members and total assessable deposits in billions of dollars)						
Capital group	Supervisory Risk Group					
	A		B		C	
	Members	Deposits	Members	Deposits	Members	Deposits
1. Well capitalized	1,099	1,008	67	32	13	1
2. Adequately capitalized	3	1	2	0	1	0
3. Undercapitalized	0	0	0	0	0	0

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.

dramatically with the widespread solvency problems that plagued the industry throughout the 1980s. Not only did the number of bank and thrift failures in 2003 decrease from the previous year; total failures represented a tiny share of FDIC-insured institutions in terms of number of firms and total assets.

Since the end of 2002, problem institutions (those with substandard examination ratings) have declined from 116 to 102 for the BIF and from 20 to 14 for the SAIF. Moreover, the decrease in the BIF's number of problem institutions was matched by a decline in assets in problem banks

and thrifts. For both funds, however, the continued low number of problem institutions and the small sum of assets they held suggest that losses to the insurance fund will remain low in the near future. This conjecture is supported by the low levels of nonperforming assets as a share of total assets on the books of BIF and SAIF members.

The Federal Deposit Insurance Corporation Improvement Act of 1991 mandated that FDIC insurance premiums be risk-adjusted. To do this, the FDIC assigns an insured institution to one of three risk groups (A–C) based upon their most recent

examination rating and one of three risk groups (1–3) based on their level of capitalization, creating a total of nine risk groups. With both funds above their target reserve ratio, well-capitalized institutions in supervisory risk group A by statute pay no premiums. Currently, 92% of all BIF members (7,357 out of 7,996) and nearly 93% of all SAIF members (1,099 out of 1,185) are in this group. Furthermore, these banks and thrifts account for more than 96% of the BIF's assessable deposits (3,928 out of 4,079) and nearly 97% of the SAIF's assessment base (1,008 out of 1,042).