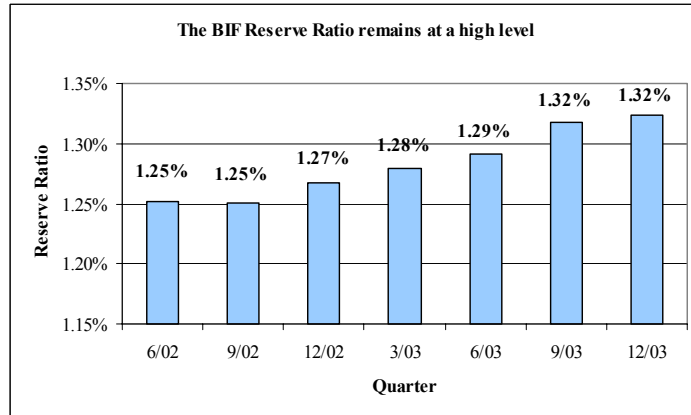


## Current Status of the Funds

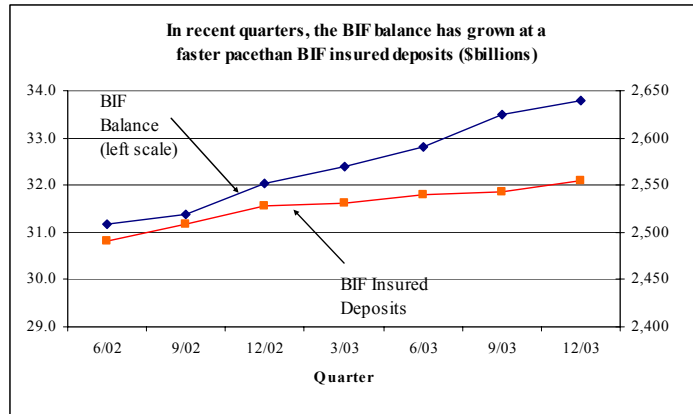
At the present time, both the Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF) reserve ratios are above the Designated Reserve Ratio (DRR) of 1.25 percent.

The BIF reserve ratio was 1.32 percent as of December 31, 2003, the latest date for which complete data are available. In the quarter ending March 31, 2004, preliminary



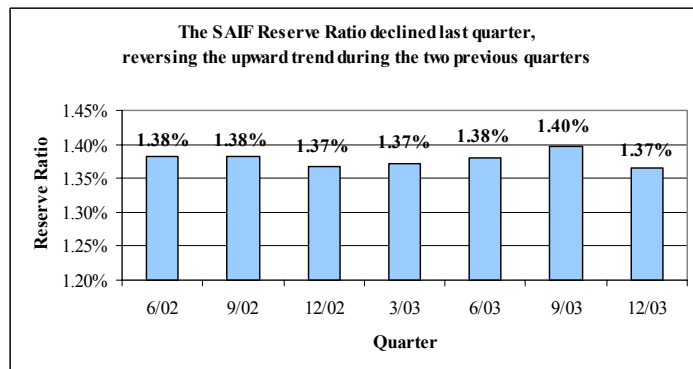
results indicate that the fund balance, which is the numerator of the reserve ratio, rose by \$382 million to \$34.164 billion (unaudited), up from \$33.782 billion (unaudited) on December 31, 2003. During this period, interest and assessment income exceeded operating expenses and provisions for insurance fund losses by \$207 million, and unrealized gains on available-for-sale securities rose by \$175 million. First quarter net income benefited from a \$37 million negative provision for insurance losses, reflecting a reduction in the number and assets of problem banks.

Final data on insured deposits, the denominator for the reserve ratio, are not available at this time because not all March 30, 2004 Call Reports have been filed. Staff



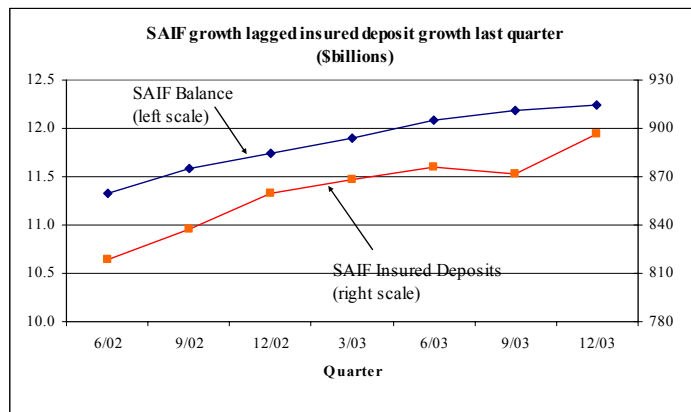
conducted a telephone survey on April 30<sup>th</sup> to determine the amount of insured deposits at some of the largest financial institutions. This survey combined with preliminary Call Report and Thrift Financial Report information provide a reasonable and timely estimate of 1<sup>st</sup> quarter 2004 insured deposit growth. This estimate shows BIF-insured deposits rose in the quarter ending March 31, 2004 by 1.8 percent to \$2.601 trillion. This level of insured deposits indicates a projected BIF reserve ratio as of March 31, 2004 of 1.31 percent, which is a 1 bp reduction from the year-end 2003 ratio. Growth in first quarter projected BIF-insured deposits is consistent with historical patterns that suggest a seasonal acceleration in first quarter growth followed by subsequent periods of slower growth.

The SAIF reserve ratio was 1.37 percent as of December 31, 2003. During the first quarter, the fund balance rose by \$154 million to \$12.394 billion (unaudited), up from



\$12.240 billion (unaudited) on December 31, 2003. For the period, interest and assessment income exceeded operating expenses and provisions for insurance fund losses by \$95 million, and unrealized gains on available-for-sale securities rose by \$60 million. The contingent liability for anticipated failures was unchanged during the first quarter at \$3 million.

Survey results and preliminary data from Call Reports and Thrift Financial Reports also were used to estimate SAIF-insured deposit growth. These estimates show



SAIF-insured deposits for the quarter ending March 31, 2004 declining by 0.7 percent to \$890 billion. This level of insured deposits indicates a projected SAIF reserve ratio as of March 31, 2004 of 1.39 percent, which is a 2 bp increase from the year-end 2003 ratio.

In the assessment rate cases presented to the Board in November 2003, staff indicated that both the BIF and SAIF reserve ratios would experience modest reductions by June 30, 2004. To date, preliminary numbers indicate that both reserve ratios have increased. In preparing the November assessment rate cases, staff assumed that between June 30, 2003 and June 30, 2004 there would be a modest amount of negative provisions for losses from institution failures. Instead, both BIF and SAIF have benefited from much higher reversals of provisions for losses during 2003. In addition, interest rates

were relatively stable through 2003. As a result, unrealized gains on available-for-sale securities have not significantly dissipated due to changes in interest rates. Finally, the BIF reserve ratio benefited from significantly lower than expected insured deposit growth through the first half of 2003.