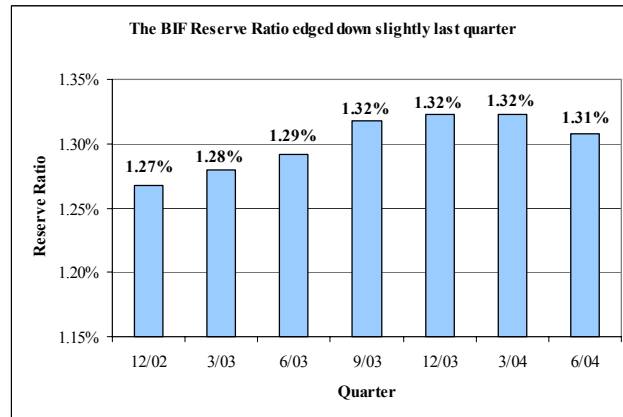


## Current Status of the Funds

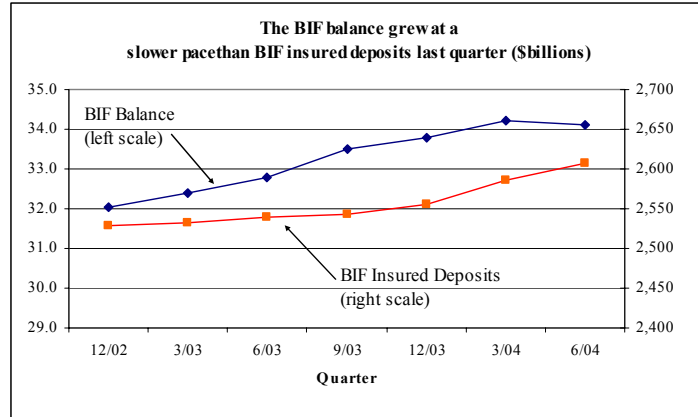
At the present time, both the Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF) reserve ratios are above the Designated Reserve Ratio (DRR) of 1.25 percent.

The BIF reserve ratio was 1.31 percent as of June 30, 2004, the latest date for which complete data are available. In the quarter ending September 30, 2004, the fund balance, which is the numerator of the



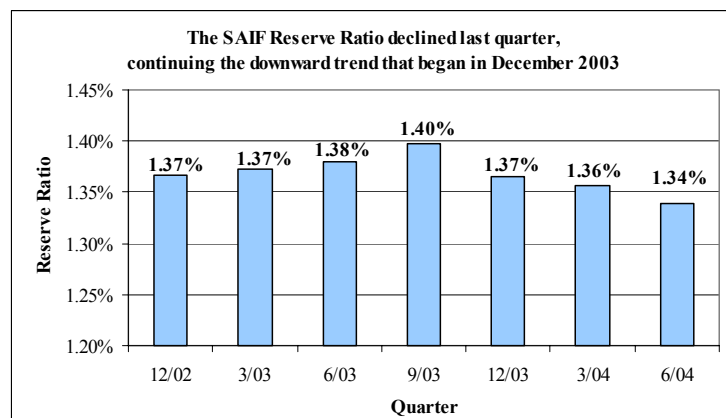
reserve ratio, rose by \$357 million to \$34.467 billion (unaudited), from \$34.110 billion (unaudited) on June 30, 2004. During the third quarter, income from interest and other sources exceeded operating expenses and provisions for insurance fund losses by \$280 million, and there was an unrealized gain on available-for-sale securities of \$77 million. The contingent liability for anticipated failures declined only by \$1 million, from \$129 million on June 30<sup>th</sup> to \$128 million on September 30<sup>th</sup>.

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



telephone survey at the beginning of November 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 3<sup>rd</sup> quarter 2004 insured deposit growth. This estimate shows BIF-insured deposits fell in the quarter ending September 30, 2004 by 0.6 percent to \$2.59 trillion. This level of insured deposits results in an estimated BIF reserve ratio as of September 30, 2004 of 1.33 percent, which is a 2 bp increase from the June 2004 ratio.

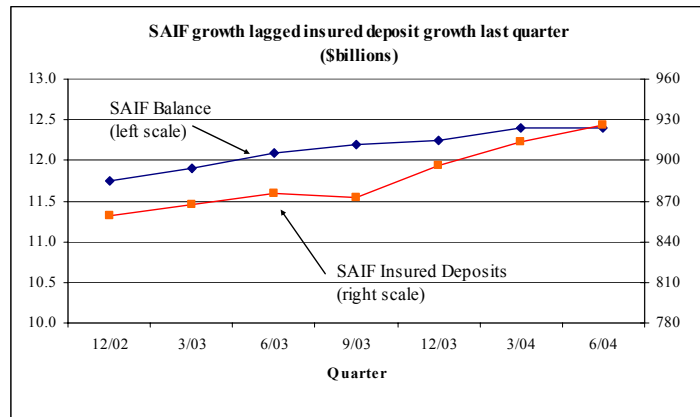
The SAIF reserve ratio was 1.34 percent as of June 30, 2004. During the third quarter, the fund balance rose by \$112 million to \$12.523 billion (unaudited),



from \$12.411 billion (unaudited) on June 30, 2004. For the period, income from interest and other sources exceeded operating expenses and provisions for insurance fund losses by \$88 million, and there was an unrealized gain on available-for-sale securities of \$24

million. The contingent liability for anticipated failures increased from \$2 million at June 30<sup>th</sup> to \$10 million at September 30<sup>th</sup>.

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 September 30, 2004 rose by 0.8 percent to \$933 billion. This level of insured deposits results in an estimated SAIF reserve ratio as of September 30, 2004 of 1.34 percent, which is unchanged from the June ratio.

In the assessment rate cases presented to the Board in May 2004, staff's best estimate was that the BIF reserve ratio at December 31, 2004 would be unchanged from the December 30, 2003 ratio of 1.32 percent, while the SAIF reserve ratio would increase by 1 basis point, from 1.37 percent to 1.38 percent.<sup>1</sup> Based on the preliminary estimates for September 30, the BIF reserve ratio has increased by only 1 bp from the end of 2003, while the SAIF reserve ratio has declined by 3 bp. In preparing the May assessment rate cases, staff assumed that during the four quarters of 2004 there would be modest positive provisions for losses from institution failures for both BIF and SAIF. BIF, however, has benefited from negative provisions for losses as of September, while the positive loss

<sup>1</sup> Staff projected lower and upper bounds for the December 31, 2004 BIF reserve ratio of 1.25 percent and 1.39, percent, respectively. For SAIF, staff projected a lower bound of 1.32 percent and upper bound of 1.44 percent for the year-end 2004 reserve ratio.

provisions through September for SAIF are only slightly lower than projected for all of 2004. In addition, interest rates have not increased through September to the extent that had been projected. As a result, unrealized losses on available-for-sale securities for the 9 months ending September 2004 have been lower than anticipated for both BIF and SAIF.

Preliminary estimates of insured deposit growth through September have been only slightly higher than anticipated for BIF through 2004 (about 1.5 percent over 9 months, compared to a 1.05 percent 12-month growth projection for all of 2004 in the May Board case). On the other hand, SAIF has experienced significantly higher growth than anticipated (4.1 percent growth over 9 months, compared to a 1.05 percent 12-month growth projection), which has been responsible for the decrease in the SAIF reserve ratio.