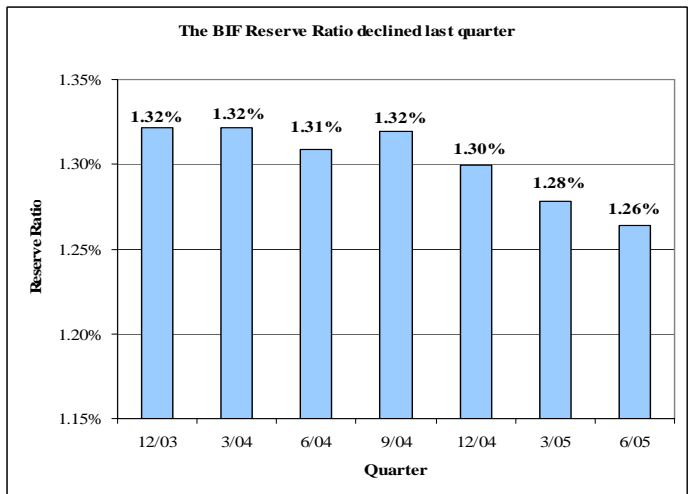


Current Status of the Funds

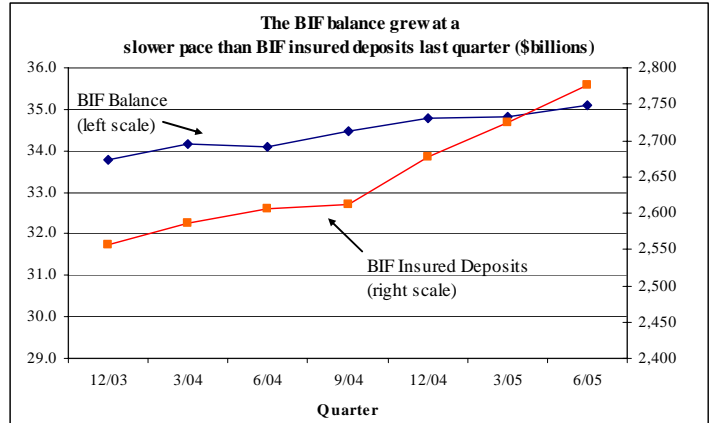
At the present time, both the Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF) reserve ratios are above the Designated Reserve Ratio (DRR) of 1.25 percent.

The BIF reserve ratio was 1.26 percent as of June 30, 2005, the latest date for which complete data are available. In the quarter ending September 30, 2005, the fund balance, which is the numerator of the reserve ratio, rose by \$240 million to \$35.334 billion (unaudited), from



\$35.094 billion on June 30, 2005. During the third quarter, income from interest and other sources exceeded operating expenses and provisions for insurance fund losses by \$276 million, which was partially offset by an unrealized loss on available-for-sale securities of \$36 million. The contingent liability for anticipated failures increased from \$2 million on June 30th to \$4 million on September 30th.

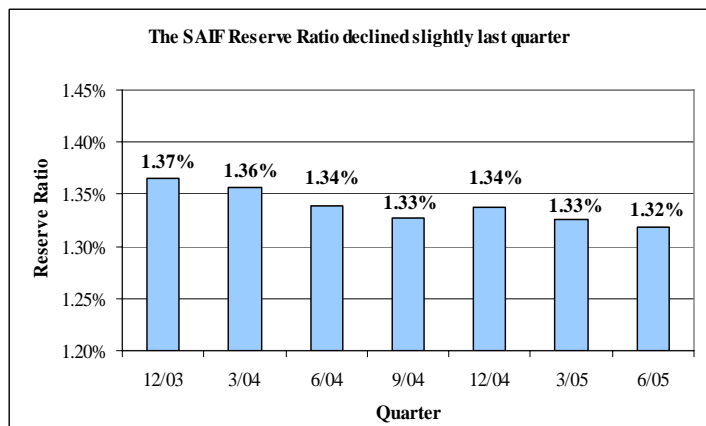
Final data on insured deposits, the denominator for the reserve ratio, are not available at this time because not all September 30, 2005 Call Reports have been filed. Staff conducted a telephone survey at the beginning of November to



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 third quarter 2005 insured deposit growth. This estimate shows BIF-insured deposits rose in the quarter ending September 30, 2005 by 1.6 percent to \$2.82 trillion. This level of insured deposits results in an estimated BIF reserve ratio as of September 30, 2005 of 1.25 percent, which is a 1 bp decline from the June 2005 ratio.

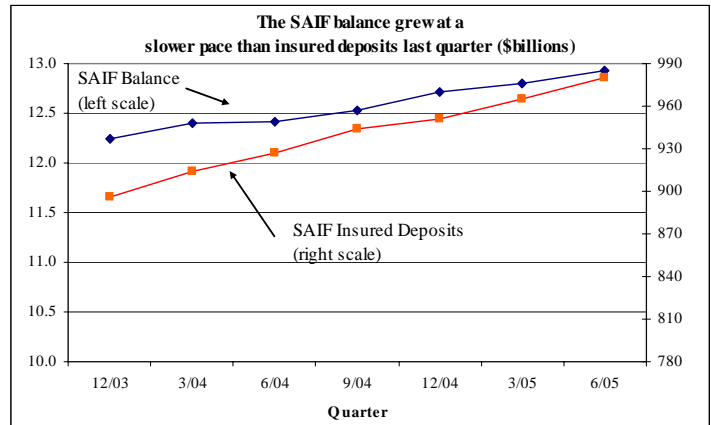
The SAIF reserve ratio was 1.32 percent as of June 30, 2005. During the third quarter, the fund balance rose by \$110 million to \$13.039 billion (unaudited), from \$12.929 billion on June 30, 2005. For the period, income



from interest and other sources exceeded operating expenses and provisions for insurance fund losses by \$121 million, which was partially offset by an unrealized loss on

available-for-sale securities of \$11 million. The contingent liability for anticipated failures increased from \$0.6 million at June 30th to \$1 million at September 30th.

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, 2005 rose by 2.8 percent to \$1.0 trillion. This level of insured deposits results in an estimated SAIF reserve ratio as of September 30, 2005 of 1.29 percent, which is a 3 bp decline from the June ratio.

In the assessment rate cases presented to the Board in May 2005, staff’s best estimate was that the BIF reserve ratio at December 31, 2005 would be 1.26 percent, down from the December 31, 2004 ratio of 1.30 percent, while the SAIF reserve ratio would decline by 3 basis points, from 1.34 percent to 1.31 percent.¹ Based on the preliminary estimates for September 30, the BIF and the SAIF reserve ratios have both declined by 5 bp since December 31, 2004. In preparing the May assessment rate cases, staff assumed that during the four quarters of 2005 there would be modest positive provisions for insurance losses for BIF and a very slight negative provision for SAIF. So

¹ Staff projected lower and upper bounds for the December 31, 2005 BIF reserve ratio of 1.20 percent and 1.31, percent, respectively. For SAIF, staff projected a lower bound of 1.26 percent and upper bound of 1.36 percent for the year-end 2005 reserve ratio.

far, however, both BIF and SAIF have benefited from negative provisions for losses for the 9 months ending in September 2005.

On the other hand, preliminary estimates of insured deposit growth for the 9 months ending in September 2005 have been significantly higher than anticipated for BIF for the 12-month period through December 31, 2005 (about 5.4 percent over 9 months, compared to a 4.9 percent 12-month growth projection from December 31, 2004 through December 31, 2005 in the May Board case). SAIF also has experienced significantly higher growth than anticipated (6.0 percent growth over 9 months, compared to a 4.9 percent 12-month growth projection).