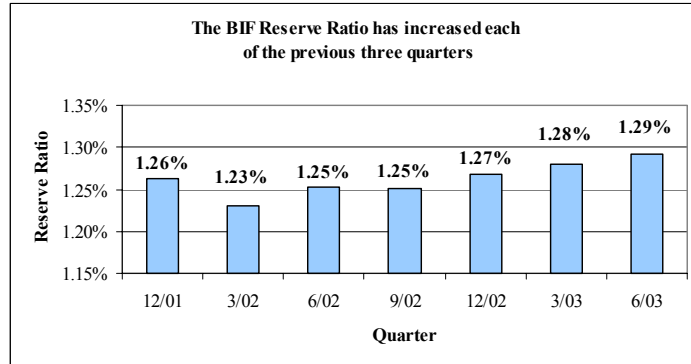


Current Status of the Funds

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 1.29 percent as of June 30, 2003, the latest date for which complete data are available. In the quarter ending September 30, 2003, preliminary results

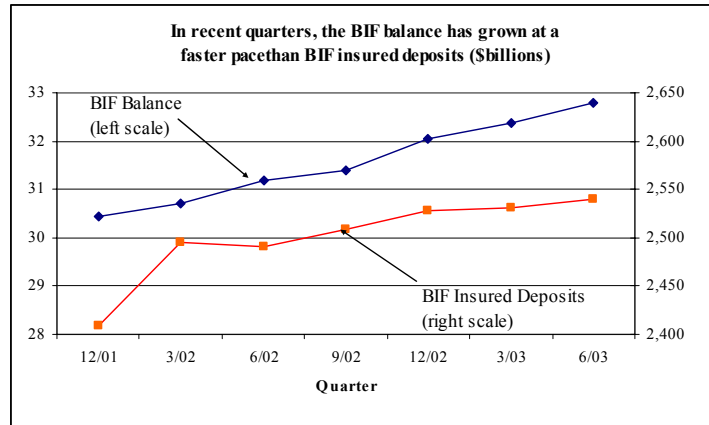


indicate that the fund balance, which is the numerator of the reserve ratio, rose by \$662 million to \$33.462 billion (unaudited), up from \$32.800 billion (unaudited) on June 30, 2003.

A significant portion of the BIF's increase is due to a reduction of \$369 million in the contingent liability for anticipated failures. Approximately \$170 million of this reduction resulted from a reduction in the expected failure rates used to calculate this contingent liability. The remainder of the reduction in the contingent liability for anticipated failures is due to lower estimated losses for some problem institutions.

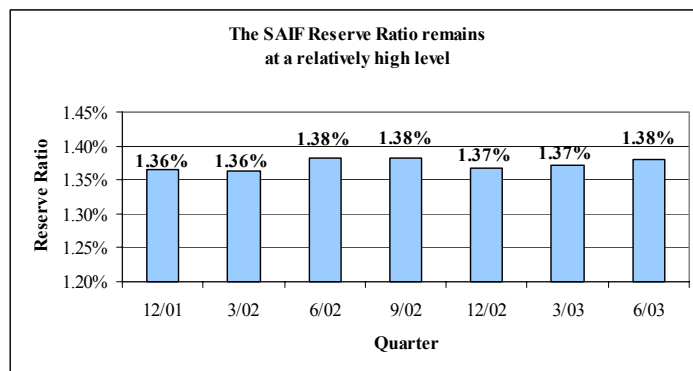
Another factor in the fund's third quarter increase was a reduction in estimated losses on past failures of \$143 million.

Final data on insured deposits, the denominator for the reserve ratio, are not available at this time because not all September 30, 2003, Call Reports have been filed.



Staff conducted a telephone survey on October 31st to determine the amount of insured deposits at some of the largest financial institutions. The survey results combined with preliminary information from Call Reports and Thrift Financial Reports provide a reasonable and timely estimate of third quarter insured deposit growth. Staff estimates that BIF insured deposits shrank in the quarter ending September 30 by 0.29 percent, resulting in estimated insured deposits of \$2.533 trillion. This indicates a projected BIF reserve ratio as of September 30, 2003 of 1.32 percent.

The SAIF reserve ratio was 1.38 percent as of June 30, 2003. During the third quarter, the fund balance rose by \$103 million to \$12.186 billion (unaudited), up from \$12.083

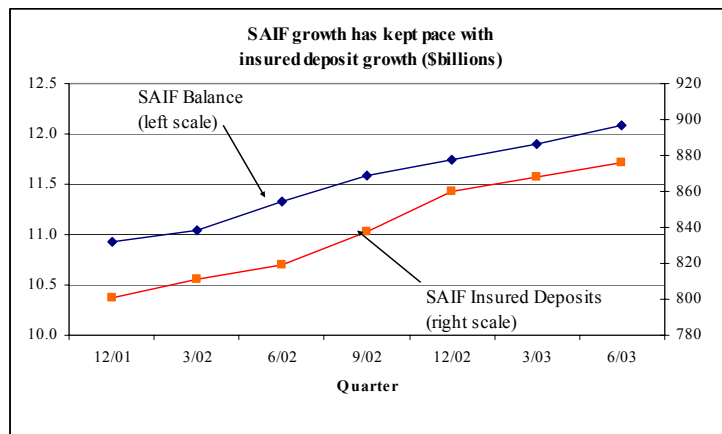


billion (unaudited) on June 30, 2003. For the period, interest income exceeded operating expenses by \$91 million, and the SAIF contingent liability for future losses fell by \$24

million. Approximately \$14 million of the reduction in the contingent liability resulted from a reduction in the expected failure rates, while the remainder was due to lower estimated loss rates and improvements in problem institutions' financial conditions.

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

for the quarter ending September 30 was 0.16 percent, resulting in insured deposits of \$877 billion. This indicates a SAIF reserve ratio as of September 30, 2003 of 1.39 percent.



As in prior periods, interest income and assessment income more than covered operating expenses for both funds.

In the assessment rate cases presented to the Board in May 2003, staff indicated that both the BIF and SAIF reserve ratios would likely shrink by December 31, 2003. To date, preliminary numbers indicate that both reserve ratios have increased. In preparing the May assessment rate cases, staff assumed that in 2003 there would be no additional provisions for losses from institution failures. Instead, both BIF and SAIF have benefited

from substantial reversals of provisions for losses in the first nine months of 2003. In addition, interest rates, while quite volatile in the very short run, have remained relatively stable over the entire period. 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 was positively impacted by significantly lower than expected insured deposit growth through the first half of 2003.