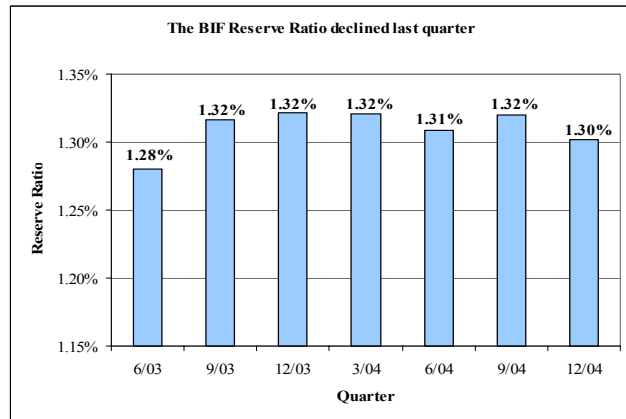


## Current Status of the Funds

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.

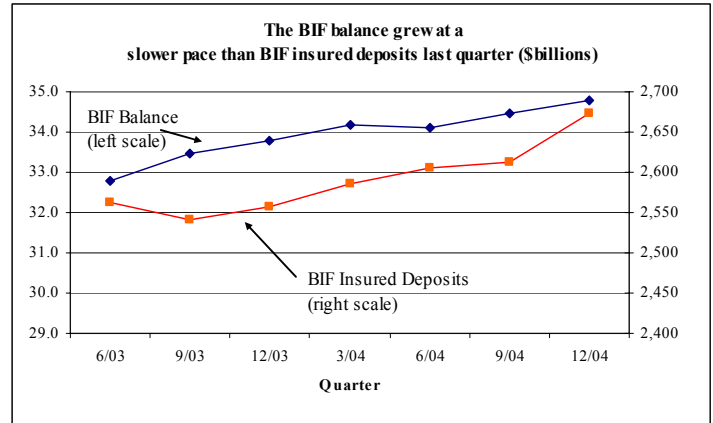
The BIF reserve ratio was 1.30 percent as of December 31, 2004, the latest date for which complete data are available. In the quarter ending March 31, 2005, the fund balance, which is the numerator of the reserve ratio, rose by



\$37 million to \$34.824 billion (unaudited), from \$34.787 billion on December 31, 2004.

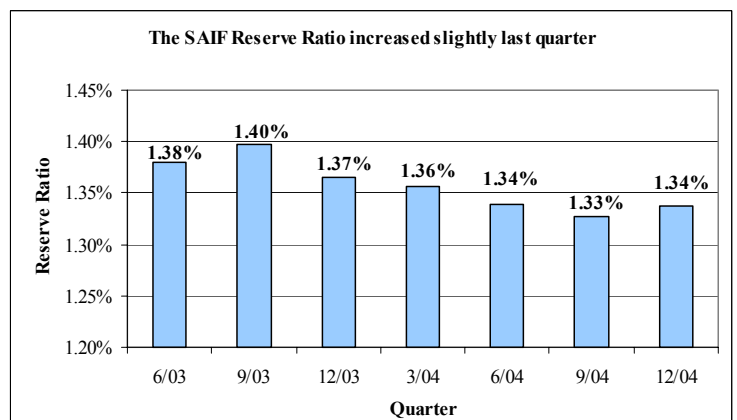
During the first quarter, income from interest and other sources exceeded operating expenses and provisions for insurance fund losses by \$164 million, which was partially offset by an unrealized loss on available-for-sale securities of \$127 million. The contingent liability for anticipated failures declined from \$8 million on December 31<sup>st</sup> to \$5 million on March 31<sup>st</sup>.

Final data on insured deposits, the denominator for the reserve ratio, are not available at this time because not all March 31, 2005 Call Reports have been filed. Staff conducted a telephone survey at the beginning of May 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 first quarter 2005 insured deposit growth. This estimate shows BIF-insured deposits rose in the quarter ending March 31, 2005 by 2.6 percent to \$2.74 trillion. This level of insured deposits results in an estimated BIF reserve ratio as of March 31, 2005 of 1.27 percent, which is a 3 bp decline from the December 2004 ratio.

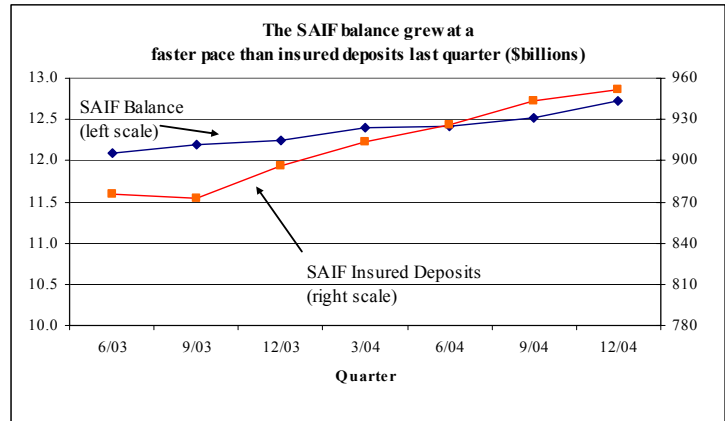
The SAIF reserve ratio was 1.34 percent as of December 31, 2004. During the first quarter, the fund balance rose by \$73 million to \$12.793 billion (unaudited), from \$12.720 billion on December 31, 2004. For the



period, income from interest and other sources exceeded operating expenses and provisions for insurance fund losses by \$114 million, which was partially offset by an unrealized loss on available-for-sale securities of \$41 million. The contingent liability for

anticipated failures increased from \$2 million at December 31<sup>st</sup> to \$10 million at March 31<sup>st</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 March



31, 2005 rose by 1.3 percent to \$964 billion. This level of insured deposits results in an estimated SAIF reserve ratio as of March 31, 2005 of 1.33 percent, which is a 1 bp decline from the December ratio.

In the assessment rate cases presented to the Board in November 2004, staff's best estimate was that the BIF reserve ratio at June 30, 2005 would be 1.30 percent, slightly below the June 30, 2004 ratio of 1.31 percent, while the SAIF reserve ratio would be unchanged from the June 30, 2004 ratio of 1.34 percent.<sup>1</sup> Based on the preliminary estimates for March 31, BIF reserve ratio has declined by 4 bp, while the SAIF reserve ratio has declined by 1 bp since June 30, 2004. In preparing the November assessment rate cases, staff assumed that between June 30, 2004 and June 30, 2005 there would be modest positive provisions for losses from institution failures for both BIF and SAIF. So far, however, both BIF and SAIF have benefited from negative provisions for losses for

<sup>1</sup> Staff projected lower and upper bounds for the June 30, 2005 BIF reserve ratio of 1.24 percent and 1.36, percent, respectively. For SAIF, staff projected a lower bound of 1.28 percent and upper bound of 1.40 percent for the June 30, 2005 reserve ratio.

the 9 months ending in March 2005. In addition, unrealized losses on available-for-sale securities for the 9 months ending March 2005 have been lower than anticipated for both BIF and SAIF due in part to lower-than-anticipated increases in interest rates.

On the other hand, preliminary estimates of insured deposit growth for the 9 months ending in March 2005 have been significantly higher than anticipated for BIF for the 12-month period June 30, 2004 through June 30, 2005 (about 5.2 percent over 9 months, compared to a 2.1 percent 12-month growth projection for June 30, 2004 through June 30, 2005 in the November Board case). SAIF also has experienced significantly higher growth than anticipated (4.0 percent growth over 9 months, compared to a 2.1 percent 12-month growth projection).