

# FEDERAL DEPOSIT INSURANCE CORPORATION

## **Selected Fund Financial Indicators**

- BIF Reserve Ratio is 1.35 percent as of March 31, 2000
- SAIF Reserve Ratio is 1.44 percent as of March 31, 2000



# Executive Management Report

Financial Results (unaudited)  
For the six months ending June 30, 2000

## **Executive Summary** **For the Six Months Ending June 30, 2000**

### ***Bank Insurance Fund (BIF):***

- Comprehensive income (net income plus current period unrealized gains/losses on available-for-sale securities) was \$366 million for the six months ending June 30, 2000, increasing the fund balance to \$29.8 billion.
- Revenue totaled \$941 million for the six months ending June 30, 2000. The fund earned \$899 million in interest on investments in U.S. Treasury obligations and \$24 million in deposit insurance assessments.
- Receivables from bank resolutions are \$425 million at June 30, 2000. This receivable peaked at \$27.8 billion in 1992 due to the large number of bank failures occurring at that time.
- The contingent liability for anticipated failures increased by \$267 million to \$581 million during the second quarter of 2000. While the number of problem banks continues to remain relatively constant, the financial condition of a small number of banks has deteriorated significantly. The reserve reflects a relatively low level of risk to the fund; as of June 30, the contingent liability represents 1.95% of the fund balance.
- Two BIF-insured institutions failed during the first six months of 2000. Total assets at failure were \$124 million.

### ***Savings Association Insurance Fund (SAIF):***

- Comprehensive income was \$257 million for the six months ending June 30, 2000, increasing the fund balance to \$10.5 billion.
- Revenue totaled \$324 million for the six months ending June 30, 2000. The fund earned \$315 million in interest on U.S. Treasury obligations and \$9 million in deposit insurance assessments.
- The contingent liability for anticipated failures increased by \$40 million to \$97 million during the second quarter of 2000. While the number of problem thrifts continues to remain relatively constant, the financial condition of a small number of thrifts has deteriorated significantly. The reserve reflects a relatively low level of risk

to the fund; as of June 30, the contingent liability represents 0.92% of the fund balance.

- One SAIF-insured thrift failed during the first six months of 2000. Total assets at failure were \$30 million.
- The Deposit Insurance Funds Act of 1996 required the establishment of a Special Reserve of the SAIF if, on January 1, 1999, the reserve ratio exceeded the Designated Reserve Ratio of 1.25 percent. As a result, \$978 million was placed in a Special Reserve of the SAIF to be administered by the FDIC. On November 12, 1999, the Gramm-Leach-Bliley Act was enacted which eliminated the SAIF Special Reserve upon enactment. The SAIF financial statements include the Special Reserve Fund balance, when applicable, for comparative years.

### ***FSLIC Resolution Fund (FRF):***

#### ***~FRF-FSLIC~***

- The U.S. Department of Treasury (U.S. Treasury) has determined that the FRF is responsible for the payment of judgments and settlements in most supervisory goodwill litigation cases against the U.S. Government.

Future goodwill litigation payments cannot be reasonably estimated at this time.

- Funds to cover goodwill judgments and settlements are provided by an open-ended appropriation as provided by section 110 of the Department of Justice Appropriations Act, 2000. Because of this, any liabilities for goodwill litigation should have no material impact on the financial condition of the FRF-FSLIC. If an appropriation to the FRF-FSLIC was not available to pay the goodwill litigation judgments and compromise settlements, these liabilities would be material and could adversely affect the financial condition of the fund.

## **Executive Summary For the Six Months Ending June 30, 2000**

### *(Continued)* *~FRF-FSLIC~*

On March 3, 2000, the United States Court of Federal Claims ruled that the federal government must pay \$21.5 million to Landmark Land Company and \$17.7 million to the FDIC, as manager of the FSLIC Resolution Fund, for breach of contract in the supervisory goodwill litigation. All parties to the litigation have filed appeals.

On July 6, 2000, the United States Court of Federal Claims issued a decision awarding zero damages to the plaintiffs in the goodwill case, Bluebonnet Savings Bank versus United States. The plaintiffs sought \$175.9 million in damages and may appeal the decision.

Other goodwill litigation cases are currently on appeal, the final outcome of which is uncertain.

- In addition to payments for goodwill settlements, the FRF is responsible for reimbursing the U.S. Department of Justice for its goodwill litigation expenses.
- Assets in liquidation totaled \$36 million as of June 30, 2000, down by \$5 million over the last 12 months.

### *~FRF-RTC~*

- The RTC Completion Act (Act) requires the FDIC to return to the U.S. Treasury any funds that were transferred to the RTC pursuant to the Act but not needed by the RTC. The Act made available approximately \$18 billion worth of additional funding, of which \$4.556 billion was used. The Act mandates that the FDIC must transfer to the Resolution Funding Corporation (REFCORP) the net proceeds from the sale of FRF-RTC assets (once all liabilities of the FRF-RTC have been provided for) to pay the interest on REFCORP bonds. Any such payments benefit the U.S. Treasury, which would otherwise be obligated to pay the interest on the bonds.

On July 27, 1999, the FDIC Board of Directors granted authority to the Director of the Division of Finance, or his designee, to: 1) repay the U. S. Treasury \$4.556 billion in appropriations made

to the RTC pursuant to the Act; and 2) after the U. S. Treasury has been paid, to pay the REFCORP any additional excess cash until such time as the FRF-RTC is dissolved upon satisfaction of all debts and liabilities and sale of all assets.

With the last payment of \$271 million on February 3, 2000, the FRF-RTC has fully repaid the \$4.556 billion to the U.S. Treasury. As a result, the FRF-RTC made its first payment to the REFCORP of \$533 million on April 11, 2000. The FRF-RTC cash balance is \$1.2 billion at June 30, 2000.

- Assets in liquidation totaled \$376 million as of June 30, 2000, down by \$297 million over the last 12 months.

# INSURANCE FUNDS

## Bank Insurance Fund (BIF)

## Savings Association Insurance Fund (SAIF)

The BIF and SAIF are separate insurance funds responsible for protecting insured depositors in operating banks and thrift institutions from loss due to failure of the institution. Since 1989, an active institution's insurance fund membership and primary federal regulator have been generally determined by the institution's charter type. Deposits of BIF-member institutions are generally insured by the BIF; BIF members are predominantly commercial and savings banks supervised by the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve. Deposits of SAIF-member institutions are generally insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision.

### FINANCIAL HIGHLIGHTS

<i>Dollars in Millions</i>	BIF		SAIF	
	(Unaudited)		(Unaudited)	
	06/30/00	06/30/99	06/30/00	06/30/99
Revenue	\$ 941	\$ 902	\$ 324	\$ 292
Operating Expenses	364	356	52	47
Insurance Losses/Expenses	284	318	43	15
Unrealized Gain/(Loss) on AFS (1)				
Securities, Net (Current Period)	73	(9)	28	(4)
Comprehensive Income	366	219	257	226
Restricted Fund Balance	0	0	0	978
Unrestricted Fund Balance	\$ 29,780	\$ 29,831	\$ 10,538	\$ 9,088
March 2000/1999 Reserve Ratio (2)	1.35%	1.41%	1.44%	1.41%
March 2000/1999 Fund Balance	\$ 29,739	\$ 29,852	\$ 10,435	\$ 9,937
Estimated Insured Deposits	\$ 2,194,918 (a)	\$ 2,124,236 (b)	\$ 724,992 (a)	\$ 706,476 (b)
Total Insured Institutions	8,791 (a)	9,001 (b)	1,380 (a)	1,414 (b)
Number of Failures, YTD	2	2	1	0
Total Corporate Outlays, YTD	\$81	\$24	\$29	\$0
Total Estimated Corporate Losses, YTD	\$16	\$2	\$1	\$0
Total Assets at Failure (Current Year)	\$124	\$25	\$30	\$0
Assets in Liquidation (3)	\$1,264	\$836	\$10	\$0

(1) Available-for-Sale (AFS)

(2) The Reserve Ratio is equal to the first quarter Fund Balance divided by the first quarter Estimated Insured Deposits. The statutorily established Designated Reserve Ratio is 1.25%.

(3) Assets in liquidation is the total book value of the noncash assets to be liquidated.

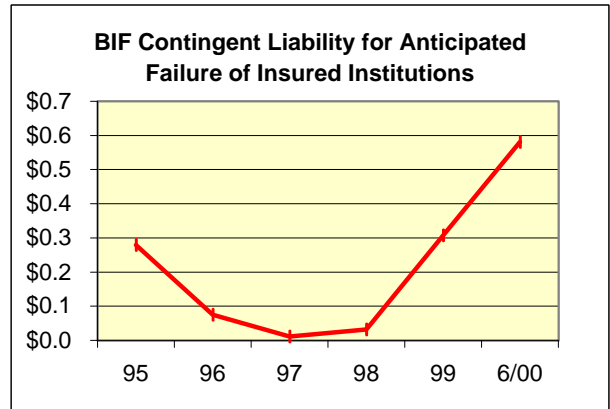
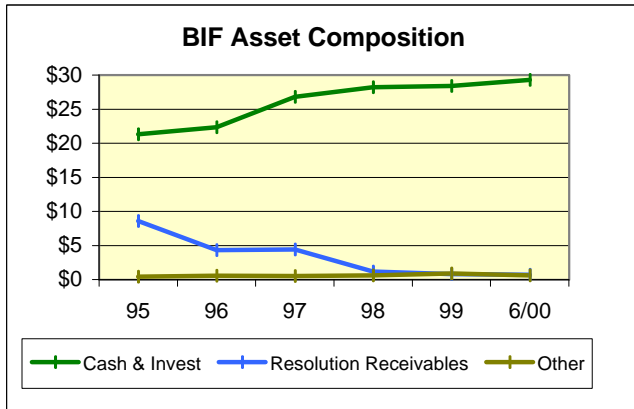
(a) Source: First Quarter 2000 FDIC Quarterly Banking Profile. BIF figure includes 20 U.S. branches of foreign banks.

(b) Source: First Quarter 1999 FDIC Quarterly Banking Profile. BIF figure includes 25 U.S. branches of foreign banks.

# Bank Insurance Fund Statements of Financial Position June 2000

Dollars in Millions	(Unaudited) June 30	
	2000	1999
<b>Assets</b>		
Cash and cash equivalents	\$ 331	\$ 2,324
Investment in U.S. Treasury obligations, net	28,988	26,713
Interest receivable on investments and other assets, net	471	459
Receivables from bank resolutions, net	425	477
Assets acquired from assisted banks and terminated receiverships, net	16	14
Property and buildings, net	158	142
Software development and other capitalized assets, net	109	79
<b>Total Assets</b>	<b>\$ 30,498</b>	<b>\$ 30,208</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 122	\$ 131
<b>Contingent Liabilities for:</b>		
Anticipated failure of insured institutions	581	219
Assistance agreements	1	1
Litigation losses	10	20
Asset securitization guarantees	4	6
<b>Total Liabilities</b>	<b>718</b>	<b>377</b>
<b>Fund Balance</b>		
Accumulated net income	29,787	29,829
Unrealized (loss)/gain on available-for-sale securities, net	(7)	2
<b>Total Fund Balance</b>	<b>29,780</b>	<b>29,831</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 30,498</b>	<b>\$ 30,208</b>

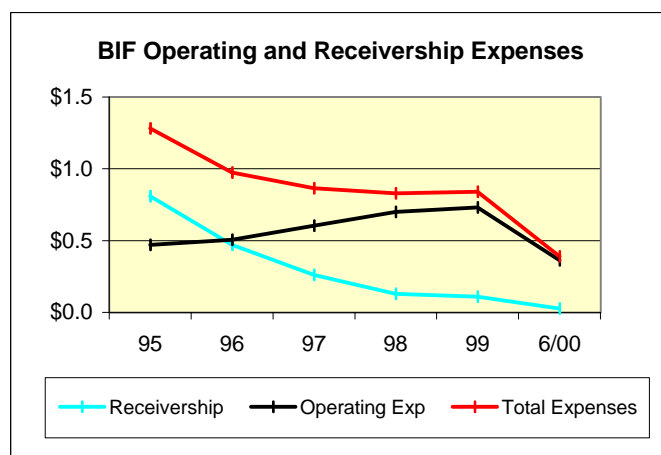
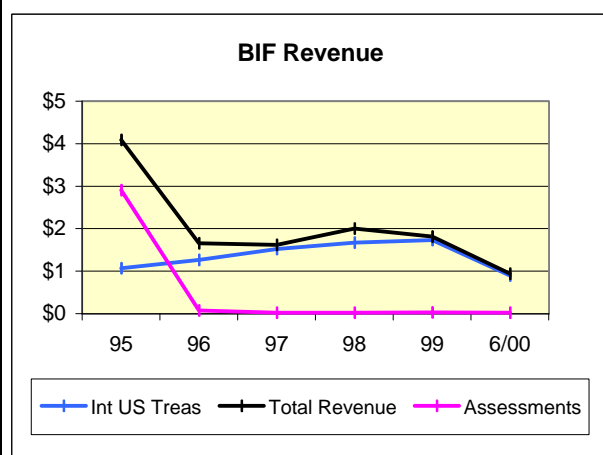
Chart Data: Dollars in Billions



## Bank Insurance Fund Statements of Income and Fund Balance June 2000

*Dollars in Millions*

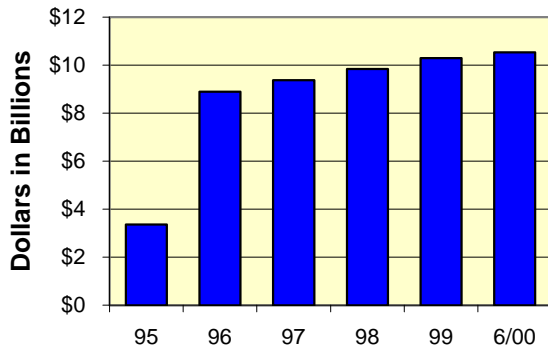
	(Unaudited) Year-to-Date:		(Unaudited) Quarter Ending June 30:	
	2000	1999	2000	1999
<b>Revenue</b>				
Interest on U.S. Treasury obligations	\$ 899	\$ 857	\$ 467	\$ 437
Assessments	24	16	7	6
Interest on advances and subrogated claims	3	18	1	17
Revenue from assets acquired from assisted banks and terminated receiverships	8	4	4	1
Other revenue	7	7	4	3
<b>Total Revenue</b>	<b>941</b>	<b>902</b>	<b>483</b>	<b>464</b>
<b>Expenses and Losses</b>				
Operating expenses	364	356	188	189
<b>Insurance Losses/Expenses:</b>				
Provision for insurance losses	270	311	250	285
Expenses for assets acquired from assisted banks and terminated receiverships	9	6	4	5
Interest and other insurance expenses	5	1	1	1
<b>Total Expenses and Losses</b>	<b>648</b>	<b>674</b>	<b>443</b>	<b>480</b>
<b>Net Income</b>	<b>293</b>	<b>228</b>	<b>40</b>	<b>(16)</b>
Unrealized gain/(loss) on available-for-sale securities, net (current period)	73	(9)	1	(5)
<b>Comprehensive Income</b>	<b>366</b>	<b>219</b>	<b>41</b>	<b>(21)</b>
<b>Fund Balance - Beginning</b>	<b>29,414</b>	<b>29,612</b>	<b>29,739</b>	<b>29,852</b>
<b>Fund Balance - Ending</b>	<b>\$ 29,780</b>	<b>\$ 29,831</b>	<b>\$ 29,780</b>	<b>\$ 29,831</b>

*Chart Data: Dollars in Billions*

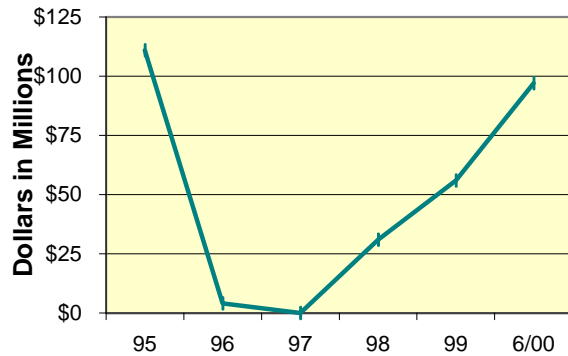
## Savings Association Insurance Fund Statements of Financial Position June 2000

<i>Dollars in Millions</i>	(Unaudited) June 30	
	<u>2000</u>	<u>1999</u>
<b>Assets</b>		
Cash and cash equivalents - unrestricted	\$ 158	\$ 1,033
Cash and other assets - restricted for SAIF-member exit fees	276	261
Investment in U.S. Treasury obligations, net	10,298	8,949
Interest receivable on investments and other assets, net	157	134
Receivables from thrift resolutions, net	31	1
<b>Total Assets</b>	<b>\$ 10,920</b>	<b>\$ 10,378</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 9	\$ 9
Contingent liability for anticipated failure of insured institutions	97	42
SAIF-member exit fees and investment proceeds held in escrow	276	261
<b>Total Liabilities</b>	<b>382</b>	<b>312</b>
<b>Fund Balance</b>		
<b>Unrestricted</b>		
Accumulated net income	10,542	9,087
Unrealized (loss)/gain on available-for-sale securities, net	(4)	1
	<u>10,538</u>	<u>9,088</u>
<b>Restricted</b>		
Special Reserve	0	978
<b>Total Fund Balance</b>	<b>10,538</b>	<b>10,066</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 10,920</b>	<b>\$ 10,378</b>

**SAIF Total Fund Balance**



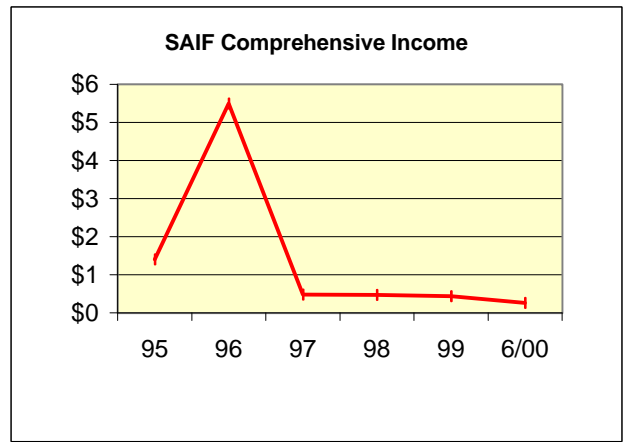
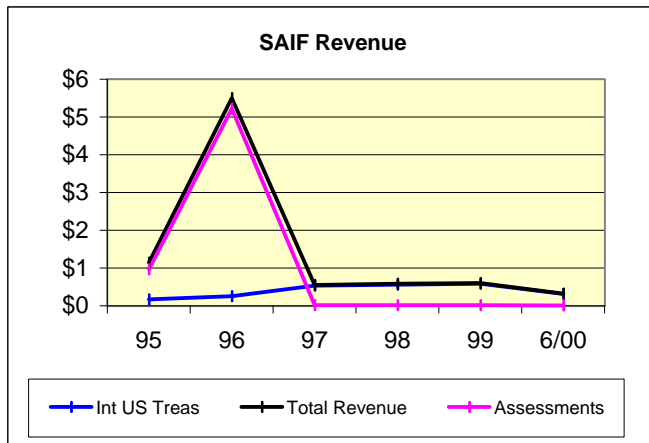
**SAIF Contingent Liability for Anticipated Failure of Insured Institutions**



## Savings Association Insurance Fund Statements of Income and Fund Balance June 2000

<i>Dollars in Millions</i>	(Unaudited) Year-to-Date:		(Unaudited) Quarter Ending June:	
	2000	1999	2000	1999
<b>Revenue</b>				
Interest on U.S. Treasury obligations	\$ 315	\$ 286	\$ 164	\$ 145
Assessments	9	6	5	6
Other revenue	0	0	0	0
<b>Total Revenue</b>	<b>324</b>	<b>292</b>	<b>169</b>	<b>151</b>
<b>Expenses and Losses</b>				
Operating expenses	52	47	27	26
Provision for insurance losses	43	15	41	(6)
Other expenses	0	0	0	0
<b>Total Expenses and Losses</b>	<b>95</b>	<b>62</b>	<b>68</b>	<b>20</b>
<b>Net Income</b>	<b>229</b>	<b>230</b>	<b>101</b>	<b>131</b>
Unrealized gain/(loss) on available-for-sale securities, net (current period)	28	(4)	2	(2)
<b>Comprehensive Income</b>	<b>257</b>	<b>226</b>	<b>103</b>	<b>129</b>
<b>Fund Balance - Beginning</b>	<b>10,281</b>	<b>9,840</b>	<b>10,435</b>	<b>9,937</b>
Unrestricted Fund Balance - Ending	10,538	9,088	10,538	9,088
Restricted Fund Balance (Special Reserve) - Ending	0	978	0	978
<b>Fund Balance - Ending</b>	<b>\$ 10,538</b>	<b>\$ 10,066</b>	<b>\$ 10,538</b>	<b>\$ 10,066</b>

*Chart Data: Dollars in Billions*





# ***RESOLUTION FUND***

## ***FSLIC Resolution Fund (FRF)***

The FRF is a FDIC-managed resolution fund that was originally created to wind up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC). It is also responsible for liquidating the assets and liabilities that were transferred from the former Resolution Trust Corporation (RTC) in 1996. Statutorily, the FRF is reported as one fund; for management reporting and operational purposes, the FRF is split into its FSLIC and RTC components and accounted for separately. The assets of one component are not available to satisfy the obligations of the other.

The FRF will continue to operate until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied.

### ***FRF-FSLIC***

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC, created the FRF, and transferred the assets and liabilities of the FSLIC to the FRF or RTC, effective August 9, 1989. Upon dissolution of this component of the FRF, any funds remaining will be transferred to the U.S. Treasury.

### ***FRF-RTC***

The RTC was created to manage and resolve all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed on January 1, 1989, or later. Resolution responsibility transferred from the RTC to the SAIF on July 1, 1995, and the RTC was terminated as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. Upon dissolution of this component of the FRF, any funds remaining will be transferred to the U.S. Treasury or the Resolution Funding Corporation, as appropriate.

## FSLIC Resolution Fund Statements of Cash Flows and Selected Statistics June 2000

*Dollars in Millions*

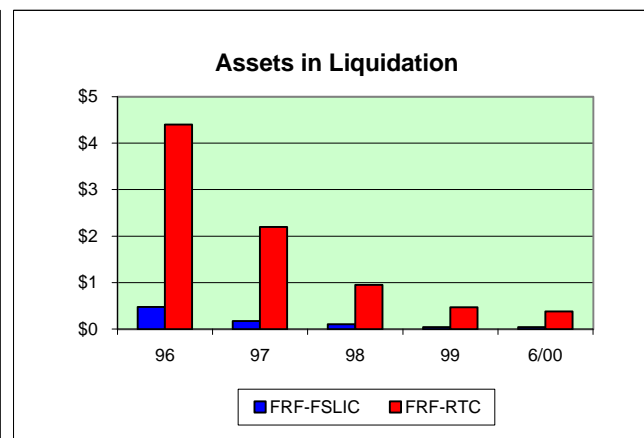
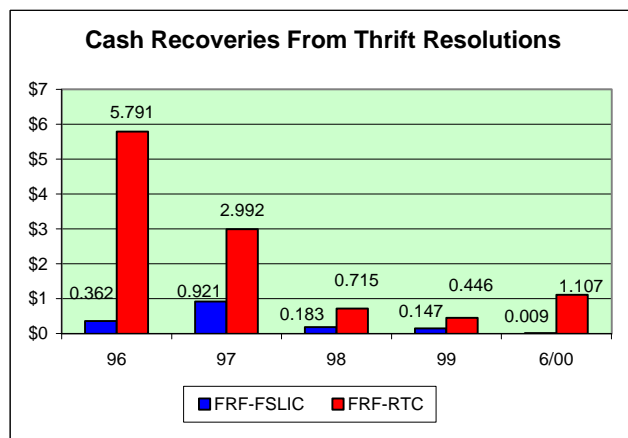
	FRF - FSLIC (Unaudited) Year-to-Date:		FRF - RTC (Unaudited) Year-to-Date:		FRF - CONSOLIDATED (Unaudited) Year-to-Date:	
	2000	1999	2000	1999	2000	1999
<b>Cash Flows</b>						
<b>Cash Flows From Operating Activities:</b>						
Cash Provided From Operating Activities	\$83	\$95	\$1,191	\$412	\$1,274	\$507
Cash Used for Operating Activities	(19)	(12)	(138)	(101)	(157)	(113)
Net Cash Provided by Operating Activities	64	83	1,053	311	1,117	394
<b>Cash Flows From Investing Activities:</b>						
Investment in Securitization Related Assets						
Acquired from Receiverships, AFS (1)	0	0	410	731	410	731
<b>Cash Flows From Financing Activities:</b>						
U.S. Treasury Payments for Goodwill Settlements	0	0	0	0	0	0
Return of U.S. Treasury Payments (2)	0	0	(391)	0	(391)	0
Payments to Resolution Funding Corporation (2)	0	0	(533)	0	(533)	0
<b>Net Increase in Cash</b>	<b>\$64</b>	<b>\$83</b>	<b>\$539</b>	<b>\$1,042</b>	<b>\$603</b>	<b>\$1,125</b>
<b>Selected Statistics</b>						
Resolution Equity (2)	\$2,297	\$2,159	\$3,570	\$8,527	\$5,867	\$10,686
Number of Active Receiverships	7	21	189	323	196	344
Number of Other Liquidating Entities	25	57	17	17	42	74
Assets in Liquidation (3)	\$36	\$41	\$376	\$673	\$412	\$714

(1) Available-for-Sale (AFS)

(2) During 1999 and 2000, FRF-RTC paid \$4.556 billion to the U.S. Treasury and \$533 million to the Resolution Funding Corporation.

(3) Assets in liquidation is the total book value of the noncash assets to be liquidated.

*Chart Data: Dollars in Billions*

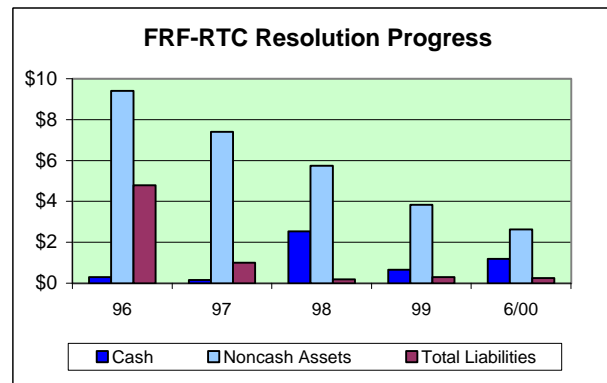
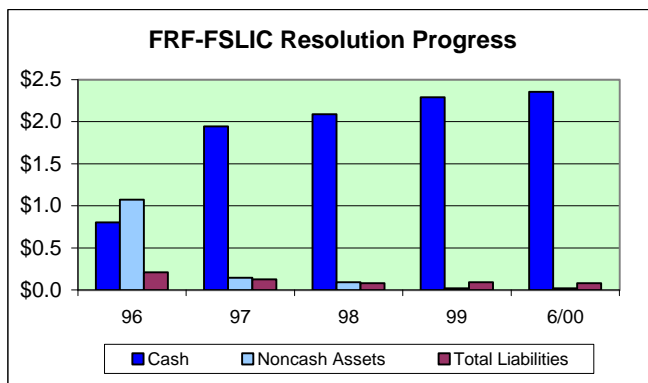


## FSLIC Resolution Fund Statements of Financial Position June 2000

Dollars in Millions	FRF - FSLIC (Unaudited) June 30		FRF - RTC (Unaudited) June 30		FRF - CONSOLIDATED (Unaudited) June 30	
	2000	1999	2000	1999	2000	1999
	<b>Assets</b>					
Cash and cash equivalents	\$ 2,357	\$ 2,172	\$ 1,194	\$ 3,584	\$ 3,551	\$ 5,756
Receivables from thrift resolutions, net	11	41	331	1,444	342	1,485
Investment in securitization related assets acquired from receiverships	0	0	2,273	3,645	2,273	3,645
Assets acquired from assisted thrifts and terminated receiverships, net	9	18	22	29	31	47
Other assets, net	0	6	7	5	7	11
<b>Total Assets</b>	<b>\$ 2,377</b>	<b>\$ 2,237</b>	<b>\$ 3,827</b>	<b>\$ 8,707</b>	<b>\$ 6,204</b>	<b>\$ 10,944</b>
<b>Liabilities and Resolution Equity</b>						
<b>Liabilities</b>						
Accounts payable and other liabilities	\$ 7	\$ 6	\$ 27	\$ 42	\$ 34	\$ 48
Liabilities from thrift resolutions	68	67	229	136	297	203
<b>Contingent liabilities for:</b>						
Assistance agreements	5	5	0	0	5	5
Litigation losses	0	0	1	2	1	2
<b>Total Liabilities</b>	<b>80</b>	<b>78</b>	<b>257</b>	<b>180</b>	<b>337</b>	<b>258</b>
<b>Resolution Equity</b>						
Contributed capital (1)	44,157	44,156	86,247	91,335	130,404	135,491
Accumulated deficit	(41,860)	(41,997)	(82,900)	(83,019)	(124,760)	(125,016)
Unrealized gain on available-for-sale securities, net	0	0	223	211	223	211
Accumulated deficit, net	(41,860)	(41,997)	(82,677)	(82,808)	(124,537)	(124,805)
<b>Total Resolution Equity</b>	<b>2,297</b>	<b>2,159</b>	<b>3,570</b>	<b>8,527</b>	<b>5,867</b>	<b>10,686</b>
<b>Total Liabilities and Resolution Equity</b>	<b>\$ 2,377</b>	<b>\$ 2,237</b>	<b>\$ 3,827</b>	<b>\$ 8,707</b>	<b>\$ 6,204</b>	<b>\$ 10,944</b>

(1) Contributed Capital decreased \$5.1 billion due to the FRF-RTC payments to the U.S. Treasury and the Resolution Funding Corporation during 1999 and 2000.

Chart Data: Dollars in Billions



## FSLIC Resolution Fund Statements of Income and Accumulated Deficit June 2000

*Dollars in Millions*

	FRF - FSLIC (Unaudited) Year-to-Date:		FRF - RTC (Unaudited) Year-to-Date:		FRF- CONSOLIDATED (Unaudited) Year-to-Date:	
	2000	1999	2000	1999	2000	1999
<b>Revenue</b>						
Interest on securitization related assets acquired from receiverships	\$ 0	\$ 0	\$ 39	\$ 50	\$ 39	\$ 50
Interest on U.S. Treasury obligations	68	50	0	0	68	50
Interest on advances and subrogated claims	0	0	82	22	82	22
Revenue from assets acquired from assisted thrifts and terminated receiverships	2	6	7	8	9	14
Realized gain on investment in securitization related assets acquired from receiverships	0	0	50	55	50	55
Limited partnership equity interests and other revenue	0	3	6	1	6	4
<b>Total Revenue</b>	<b>70</b>	<b>59</b>	<b>184</b>	<b>136</b>	<b>254</b>	<b>195</b>
<b>Expenses and Losses</b>						
Operating expenses	3	2	38	34	41	36
Realized loss on investment in securitization related assets acquired from receiverships	0	0	11	29	11	29
Provision for losses	(9)	(11)	41	(174)	32	(185)
Expenses for goodwill settlements and litigation	(2)	0	0	0	(2)	0
Expenses for assets acquired from assisted thrifts and terminated receiverships	2	3	7	2	9	5
Interest expense on notes payable and other expenses	6	4	3	1	9	5
<b>Total Expenses and Losses</b>	<b>0</b>	<b>(2)</b>	<b>100</b>	<b>(108)</b>	<b>100</b>	<b>(110)</b>
<b>Net Income</b>	<b>70</b>	<b>61</b>	<b>84</b>	<b>244</b>	<b>154</b>	<b>305</b>
Unrealized loss on available-for-sale securities, net (current period)	0	0	(17)	(30)	(17)	(30)
<b>Comprehensive Income</b>	<b>70</b>	<b>61</b>	<b>67</b>	<b>214</b>	<b>137</b>	<b>275</b>
<b>Accumulated Deficit - Beginning</b>	<b>(41,930)</b>	<b>(42,058)</b>	<b>(82,744)</b>	<b>(83,022)</b>	<b>(124,674)</b>	<b>(125,080)</b>
<b>Accumulated Deficit - Ending</b>	<b>\$ (41,860)</b>	<b>\$ (41,997)</b>	<b>\$ (82,677)</b>	<b>\$ (82,808)</b>	<b>\$ (124,537)</b>	<b>\$ (124,805)</b>

*Chart Data: Dollars in Billions*

