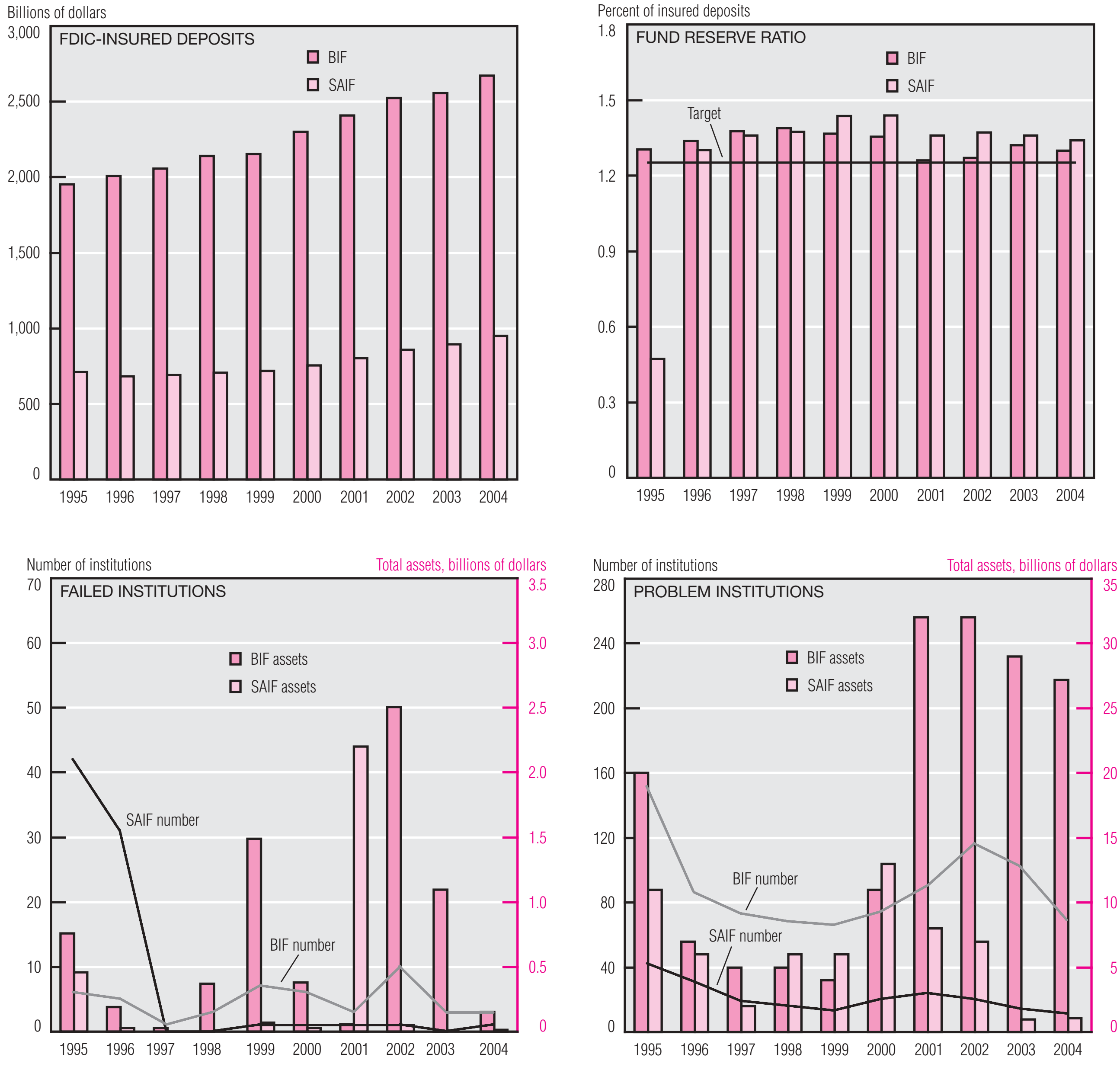
Federal Deposit Insurance Funds



SOURCE: Federal Deposit Insurance Corporation, *Quarterly Banking Profile*, various issues.

FDIC-insured deposits grew in 2004: Those insured by the Bank Insurance Fund (BIF) grew at a 4.61% annualized rate and those insured by the Savings Association Insurance Fund (SAIF) at 6.12%. As of December 31, 2004, the FDIC insured about $2.7 trillion of BIF members' deposits and almost $1 trillion of SAIF members'. Robust growth in insured deposits outstripped growth in BIF and SAIF reserves. As a result, BIF reserves fell from 1.32% of insured deposits at the end of 2003 to 1.30% at the end of 2004. The SAIF ratio of reserves to insured deposits also fell 2 basis points over this period. Both funds, however, continue to exceed the 1.25% target ratio of reserves to insured deposits set by Congress in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

The two FDIC funds' solid position is consistent with the stability of the banking and thrift industries. Bank failures since 1995 have been miniscule in terms of numbers and total assets of failed institutions. The three BIF members that failed in 2004 were small institutions with total assets of $151 million; the sole SAIF member that failed in 2004 had assets of only $15 million.

Problem institutions (those with substandard examination ratings) fell from 102 to 69 for the BIF and from 14 to 11 for the SAIF from the end of 2003 to the end of 2004. For both funds, the decrease in the number of problem institutions was accompanied by a decrease in problem institutions' assets. Moreover, both funds' continued low number of problem institutions and the low value of the institutions' assets suggest that their losses will remain low in the near future.