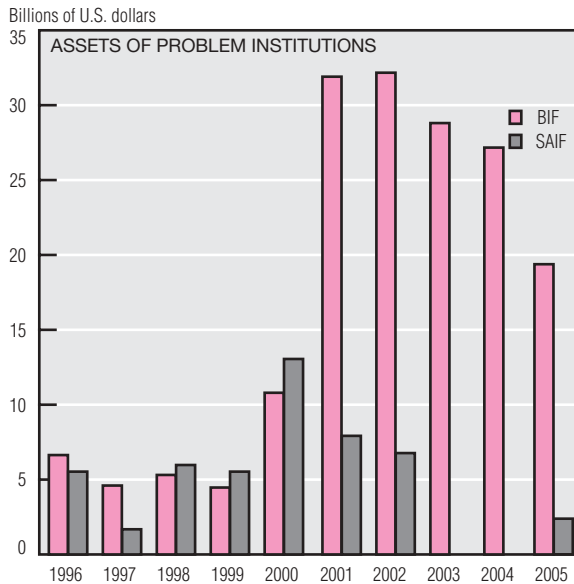
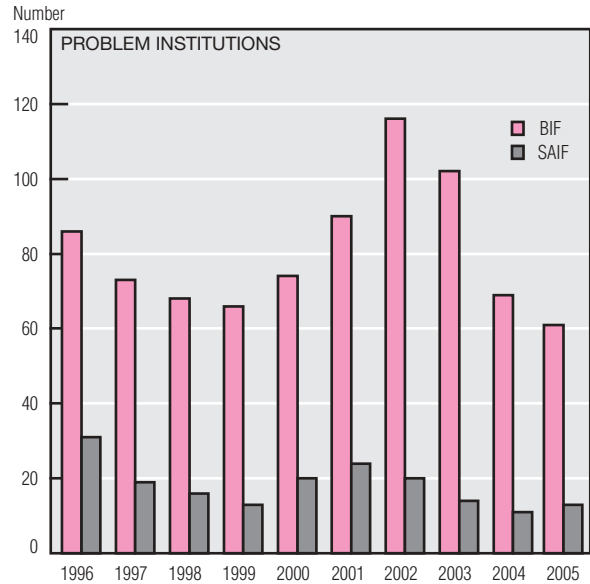
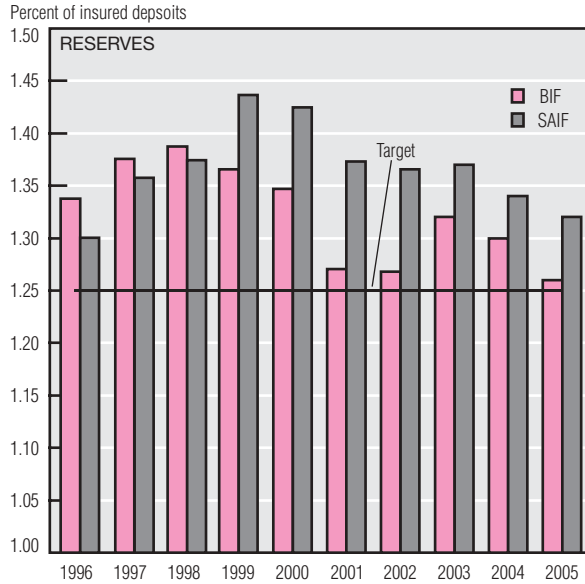


# FDIC Funds



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

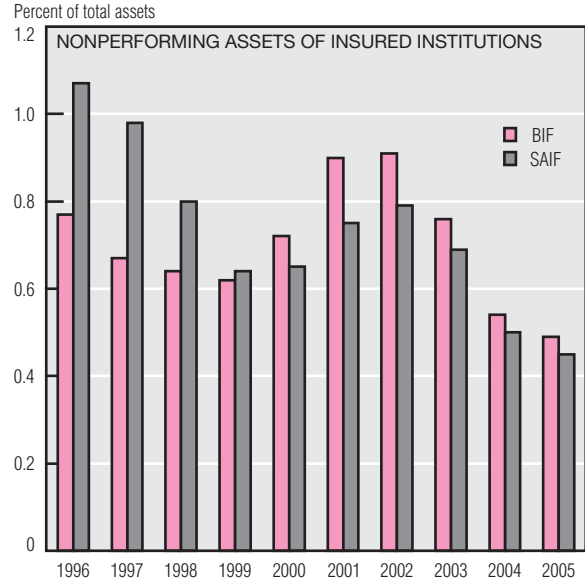
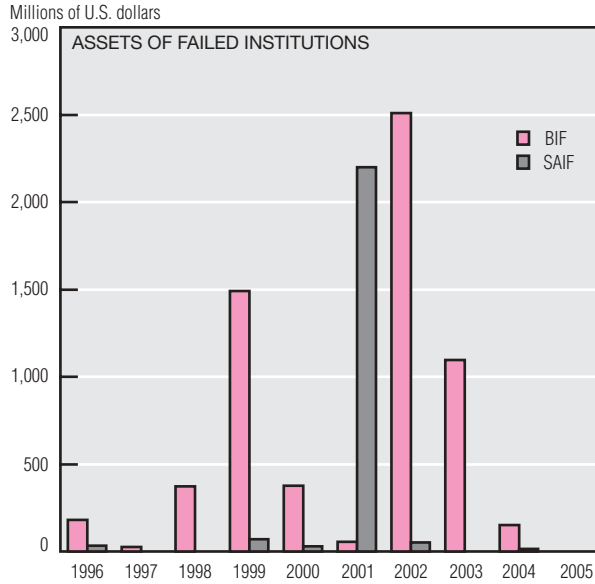
Insured deposits grew over the past five years at an average annual rate of 4.99% for members of the FDIC's Bank Insurance Fund (BIF) and 4.54% for members of its Saving Association Insurance Fund (SAIF). This robust deposit growth has had a material impact on both funds.

At the end of 2005:IIQ, BIF reserves stood at 1.26% of insured deposits, marginally above the reserve target ratio of 1.25% and well below its peak level of 139 basis points of reserves for each dollar of insured deposits at the end of 1998. SAIF reserves dropped

from 1.34% of insured deposits at the end of 2004 to 1.32% at the end of 2005:IIQ, continuing the steady decline that started at year-end 2003. Although the SAIF reserve ratio remains comfortably above the target ratio of 1.25% of insured deposits, it is considerably below its 1999 peak of 144 basis points. Despite recent declines in reserve ratios, the financial position of both FDIC funds remains solid. Their strength results partly from the stability of the banking and thrift industries, as evidenced by member institutions' low failure rates and generally robust

balance sheets. Bank failures since 1996 have been miniscule in the number of institutions as well as their total assets. The three BIF members that failed in 2004 were small institutions with total assets of only \$151 million. No BIF or SAIF members failed during the first half of 2005. If no SAIF members fail in the second half of 2005, it will mark the fourth year out of the last nine with no failures and over 10 years since more than one SAIF member failed. The rarity of thrift institutions' failures over the past decade contrasts starkly to the *(continued on next page)*

# FDIC Funds (cont.)



**BIF Assessment-Base Distribution<sup>a</sup>**  
**Assessable Deposits in Billions as of June 30, 2005**  
**Supervisory and Capital Ratings for Second Semiannual Assessment Period, 2005**

Capital group	Supervisory risk subgroup					
	A		B		C	
<b>Well-capitalized</b>						
Number of institutions	7,301	94.0%	352	4.5%	47	0.6%
Assessable deposit base	\$4,570	98.0%	\$72	1.5%	\$13	0.3%
<b>Adequately capitalized</b>						
Number of institutions	50	0.6%	5	0.1%	7	0.1%
Assessable deposit base	8	0.2%	\$1	0.0%	\$0	0.0%
<b>Undercapitalized</b>						
Number of institutions	0	0.0%	0	0.0%	3	0.0%
Assessable deposit base	0	0.0%	\$0	0.0%	\$0	0.0%

**SAIF Assessment-Base Distribution<sup>b</sup>**  
**Assessable Deposits in Billions as of June 30, 2005**  
**Supervisory and Capital Ratings for Second Semiannual Assessment Period, 2005**

Capital group	Supervisory risk subgroup					
	A		B		C	
<b>Well-capitalized</b>						
Number of institutions	1,039	93.1%	60	5.4%	11	1.0%
Assessable deposit base	\$1,190	98.1%	\$21	1.7%	\$2	0.2%
<b>Adequately capitalized</b>						
Number of institutions	4	0.4%	1	0.1%	0	0.0%
Assessable deposit base	\$0	0.0%	\$0	0.0%	\$0	0.0%
<b>Undercapitalized</b>						
Number of institutions	0	0.0%	0	0.0%	1	0.1%
Assessable deposit base	\$0	0.0%	\$0	0.0%	\$0	0.0%

a. Number reflects the number of BIF members; base reflects the BIF-assessable deposits held by both SAIF and BIF members. Institutions are categorized according to their capitalization and supervisory subgroup rating, which is generally determined by on-site examinations.

b. Number reflects the number of SAIF members; base reflects the SAIF-assessable deposits held by both BIF and SAIF members. Institutions are categorized according to their capitalization and supervisory subgroup rating, which is generally determined by on-site examinations.

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

widespread solvency problems that plagued the industry throughout the 1980s. Not only have the numbers of bank and thrift failures been low over the last decade; they also represent a tiny percent of FDIC-insured institutions in terms of both number of firms and total assets.

Since the end of 2004, problem institutions (those with substandard examination ratings) have declined from 69 to 61 for the BIF, while increasing slightly from 11 to 13 for the SAIF. Moreover, for both FDIC funds, the change in the number of problem

institutions was matched by a change in the assets of problem banks and thrifts. However, the continued low number of problem institutions and the small amount of assets they held suggests that members' losses will remain low in the near future. This conjecture is supported by the low levels of nonperforming assets as a percent of total assets on the books of BIF and SAIF members.

The Federal Deposit Insurance Corporation Improvement Act of 1991 mandated that FDIC insurance premiums be adjusted for risk. So for

both funds, the FDIC assigns each member to one of nine risk groups on the basis of its most recent examination rating and its level of capitalization. With both funds exceeding their target reserve ratios, well-capitalized institutions in supervisory risk group A pay no premiums by statute. Currently, 94% of BIF members and 93% of SAIF members are in this group. Furthermore, these A-group banks and thrifts account for at least 98% of both BIF's and SAIF's assessable deposits.