PRESS RELEASE
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FDIC REPORTS GROWTH IN BANK AND THRIFT INSURANCE FUNDS

FOR IMMEDIATE RELEASE

The Bank Insurance Fund (BIF) had net income of $375 million during the first six months of 1996, reaching a mid-year balance of $25.8 billion, the FDIC reported today. The modest increase -- compared to the $2.8 billion increase during the same period last year -- reflects the dramatic reduction in assessment rates beginning in mid-1995.

Assessments generated $37 million, compared with $2.375 billion in assessment revenue during the same period last year. The principal income source for the fund was earnings of $619 million on investments in U.S. Treasury securities during the six-month period. Over the last 12 months the fund balance increased 4.7 percent, primarily as a result of $1.2 billion earned on these investments.

Three BIF-insured banks with total assets of $115 million failed during the first six months of 1996 at an estimated cost of $16 million, or 13.9 percent of failed bank assets. One of the three banks was a BIF-Oakar institution with approximately $3 million in SAIF-insured deposits. As a result, $533,000 of the estimated cost was allocated to the Savings Association Insurance Fund (SAIF). The BIF's assets in liquidation stood at $7.0 billion at June 30, 1996, a reduction of $5.0 billion during the last 12 months.

The SAIF balance stood at $3.9 billion on June 30. The fund recorded net income of $556 million, $94 million less than the first half of 1995. Net income in 1995 was boosted by the recapture of $140 million in reserves that had been set aside for anticipated failures.

The SAIF's growth remained sluggish for two reasons: the continuing effects of a decline in industry deposits since 1989, and the nearly $800 million in assessment revenue that is diverted each year to pay interest on Financing Corporation (FICO) bonds. SAIF continues to be seriously undercapitalized compared to its 1.25 percent target reserve ratio. About $5 billion would have been needed to recapitalize the SAIF on June 30, based on the March data for insured deposits.

The FDIC also reported on the status of the FSLIC Resolution Fund (FRF), which manages financial transactions inherited from the Federal Savings and Loan Insurance Corporation (FSLIC) and -- since January 1, 1996 -- from the Resolution Trust Corporation (RTC).

The FRF-FSLIC had $116 million in net income during the first two quarters of 1996, largely due to a $100 million recovery (which is reflected in the financial statements as a component of the provision for losses) that resulted from a gain on the conversion of stock warrants in Dime Bancorp, Inc. to common stock and the sale of the stock. The stock warrants were acquired by the FDIC on June 22, 1993, under an assistance agreement with the former Anchor Savings Bank.

The FRF-FSLIC's liquidation activity is winding down, with only $308 million in additional recoveries expected.

The FRF-RTC's assets in liquidation stood at $6.1 billion at mid-year, down $10.2 billion over the last 12 months. The fund's Federal Financing Bank borrowings were reduced by $4.0 billion to $6.6 billion during the first six months of 1996.