PRESS RELEASE

Federal Deposit Insurance Corporation

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Bank and Thrift Premium Rates to Remain Unchanged for First Half of 2006

Continued Deposit Growth, Other Factors Could Lead to Rate Changes in Second Half of 2006

Current deposit insurance assessment rates charged to insured banks and savings associations will remain unchanged for the first half of 2006, the FDIC Board of Directors voted today.

"We expect continuing favorable prospects for the bank and thrift industries in the near term," said FDIC Chairman Don Powell, "but we are projecting that primarily due to expected insured deposit growth, the reserve ratios for both funds - the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) - will drop over the 12 months ending on June 30, 2006.

"We are also projecting a range of possible outcomes for the funds' reserve ratios by June 30 and a best estimate of 1.22 percent for BIF - which is below the designated reserve ratio - or 'DRR' - of 1.25 percent. But our projected range for the BIF ratio also includes plausible outcomes that meet or exceed 1.25 percent." The projected best estimate for the SAIF is 1.29 percent as of June 30.

If the BIF reserve ratio is less than the DRR as of December 31, 2005, the FDIC would have two full semiannual periods from when the Board next sets rates (May 2006) to return the reserve ratio to 1.25 percent. In the staff's view, retaining the current rates for the first half of 2006 would not significantly increase the rates that the Board would have to charge if it were required to raise rates six months from now.

Powell added: "Of course, we are hopeful that deposit insurance reform legislation will pass this year. And with passage, among other changes to the system, the two funds would merge. If that happens, we project a range for the combined fund reserve ratio of between 1.20 percent and 1.29 percent, with a best estimate of 1.24 percent, by June 30, 2006.

"There could be more changes if Congress acts on deposit insurance reform legislation, such as an assessment credit for banks that contributed to the recapitalization of the FDIC funds in the 1990s."

Staff's analysis of the current status of the funds, the intermediate term outlook for the economy and emerging risks to banking, and recommendations for the BIF and SAIF assessment rate schedules are available on the FDIC's Web site at http://www.fdic.gov/deposit/insurance/risk/index.html.