PRESS RELEASE

Federal Deposit Insurance Corporation

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Media Contact:
David Barr (202) 898-6992

The FDIC Reports on How Banking Institutions are Managing the Challenges from Rising Interest Rates

Rising short-term interest rates and a flattening yield curve are posing challenges for FDIC-insured institutions in terms of their ability to maintain interest margins, limit credit losses and fund asset growth. How the banking industry is addressing these challenges is the subject of a series of articles issued today by the Federal Deposit Insurance Corporation (FDIC) in the Spring 2005 issue of ***FDIC Outloo***k.

This issue of ***FDIC Outlook*** addresses the management of interest rate risk from a variety of perspectives. The first article summarizes an FDIC-hosted roundtable discussion on the topic with Tanya S. Azarchs of Standard & Poor's, Hal S. Johnson of BB&T, and William A. Stark of the FDIC's Division of Supervision and Consumer Protection. The panel addressed many subjects including interest rate risk modeling, risks associated with structured notes, how accounting rules shape hedging strategies, and the evaluation of alternative economic scenarios.

Other articles in this latest issue of ***FDIC Outlook*** address the following topics:

- The development of off-site profiles of depository institutions that may be vulnerable to rising interest rates;

- The use of rate/volume analysis to estimate the sensitivity of bank earnings to changes in interest rates; and

- Regional perspectives on alternative methods banks are using to fund asset growth in a rising interest rate environment.

The Spring 2005 FDIC Outlook is available on the Web at: www.fdic.gov/bank/analytical/regional/index.html.

Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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