PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC Board Votes to Maintain Premium Rates for Banks and Thrifts

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today voted to keep the assessment rates charged to insured banks and savings associations unchanged for the second half of 2006.

The FDIC merged the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to form the Deposit Insurance Fund (DIF) on March 31, 2006, in accordance with the recently passed Federal Deposit Insurance Reform Act of 2005. The legislation also made changes to the FDIC's assessment authorities, for which final rules are required no later than November 5, 2006. Before the new rules become effective, the existing regulations will continue to apply, except that there will be one set of assessment rates that will apply to all FDIC-insured institutions (DIF members).

The reserve ratio for the funds combined stood at 1.25 percent as of December 31, 2005. An early estimate indicates that the reserve ratio for the DIF fell to 1.23 percent as of March 31, 2006, due to very strong insured deposit growth. While the banking industry remains healthy and no insured institution has failed since June 2004, the FDIC staff expects strong insured deposit growth to reduce the reserve ratio to 1.20 percent by year-end without an increase in premium rates.

The Board decided to maintain the current rate schedule in light of impending changes to the assessment system. After November of this year, the FDIC will be able to manage the reserve ratio within a range and will have the authority to charge all institutions a risk-based premium regardless of the level of the reserve ratio. Under this new system, all institutions would be charged a risk-based premium but, initially, most institutions will have assessment credits to help offset premiums. These assessment credits were awarded by Congress to recognize the contributions institutions made prior to 1997 to recapitalize the deposit insurance funds and to provide them a reasonable transition period to the new system.

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.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-45-2006

According to FDIC staff, the premium increase next year may be substantial absent a significant slowing in insured deposit growth. Continued strong deposit growth will move the reserve ratio toward the lower end of the range and will require higher premium levels to achieve a desired reserve ratio within a time frame the Board determines to be appropriate.

"Given the transition to a new deposit insurance law later this year, it makes sense for the FDIC to maintain the current rate schedule today," said FDIC Acting Chairman Martin Gruenberg. "However, it seems prudent to expect that a substantial premium charge may have to be imposed in November. How large that premium charge will be will depend on the circumstances at that time – the level of the reserve ratio, the projections for insured deposit growth, and how quickly the Board wants to raise the level of the deposit insurance fund."

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