From: Joye Hunt [mailto:joye.hunt@pbkbank.com]
Sent: Friday, March 20, 2009 2:31 PM
To: Comments
Subject: FW: FDIC Update

We just received an update from the KBA regarding the FDIC special assessment. We still think it's ridiculous & absurd for us to have to pay this outrageous amount for the failed banks. We believe there should be ways to reimburse the funds from the failed banks, failed bank assets, directors, & officers. We think the FDIC should be reminded that the loss could have been much less had all of the rules been followed as they make us follow the rules.

The special assessment should not be assessed; however, if the only choice is either a special assessment and booking a major expense or to purchase FDIC issued bonds and booking an asset, we'll chose purchasing the bonds and booking the asset to be repaid with interest.

Joye Hunt]
SVP-CFO
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-----Original Message-----
From: Ballard Cassady [mailto:bcassady@kybanks.com]
Sent: Friday, March 20, 2009 2:14 PM
To: joye.hunt@pbkbank.com
Subject: FDIC Update

KBA Kentucky Bankers Association

Legislative News of Note

The Kentucky Bankers Association participated in a conference call today with representatives from the FDIC.

The FDIC, once again, used the opportunity to present their perspective of the Fund crisis, beginning with events from June 2008. They acknowledged that the projected claims to the Fund, resulting from bank failures, are much larger than they could have anticipated in June of last year. The FDIC also acknowledged that projected bank failures and claim are uncertain and variable, so any number they use is subject to change. (a question was raised as to whether the FDIC had adequately considered the ripple effect the special assessment and higher regular assessments will have on otherwise healthy banks. Look for more information on this.) The FDIC indicated that they have looked at various alternatives to a special assessment and welcome any additional ideas of alternative funding methods, as well as ideas on whether the special assessment should be tied to asset size, as opposed to deposit amount, through the 30 day comment period. The FDIC expects a final rule to be published in May.

At this point, the FDIC indicated that they are open to any exceptions (except, notably, drawing from the FDIC's line of credit with the Treasury). The FDIC's long term goal is to stabilize the Fund now and, in the future, bolster the fund during good years, in order to draw from it without imposing burdens during the bad years.

During the question and answer segment, several questions and ideas were raised that will be pursued further, such as: 1) Whether the deposit amount used for determining the assessment can be averaged over a number of quarters, to ease the effect of the large spike in deposits this year; 2) Whether the FDIC could offered equity preferred stock in the FDIC, which would be purchased by the covered banks, the cost of which would help the Fund reserves, allowing the banks to claim an asset on their books; 3) Whether the FDIC could issue FICO bonds, similar to those issued in the 1980's.

Most of that is good news. It means that negotiations are still active and ongoing with the FDIC to develop a funding method that has the least negative impact on the banks that did not cause the current crisis.

Of course, there are also questions left to be answered. I will keep pressing your interests during these discussions and keep you informed of changes. While we all understand the need for a sound and stabile FDIC fund, it should be done in a responsible way. Safe and sound banks should not be asked, in one year, to risk their safety and soundness in order to manage the risk assumed by others over decades.

Ballard Cassady

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