**Capital Groups and Supervisory Groups**

**Overview**

The FDIC uses a risk-based premium system that assesses higher rates on those institutions that pose greater risks to the Deposit Insurance Fund (DIF). Under the rule adopted by the FDIC Board in November 2006, beginning in 2007, the FDIC will place each institution in one of four risk categories using a two-step process based first on capital ratios (the capital group assignment) and then on other relevant information (the supervisory group assignment). Within the lowest risk category, Risk Category I, rates will vary based on each institution’s CAMELS component ratings, certain financial ratios (for most institutions), and long-term debt issuer ratings (for large institutions that have such a rating).

Capital group assignments are made quarterly in accordance with the FDIC’s Rules and Regulations, using the method agreed upon by the Federal Financial Institutions Examination Council (FFIEC) Surveillance Task Force for calculating capital ratios. The method uses data reported in an institution's Report of Income and Condition (Call Reports), Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, or Thrift Financial Report. No changes to capital ratios are considered except for amendments to the previously mentioned reports.

**Capital Group Descriptions**

"Well Capitalized." Total Risk-Based Capital Ratio equal to or greater than 10 percent, and Tier 1 Risk-Based Capital Ratio equal to or greater than 6 percent, and Tier 1 Leverage Capital Ratio equal to or greater than 5 percent.

"Adequately Capitalized." Not Well Capitalized and Total Risk-Based Capital Ratio equal to or greater than 8 percent, and Tier 1 Risk-Based Capital Ratio equal to or greater than 4 percent, and Tier 1 Leverage Capital Ratio equal to or greater than 4 percent.

"Undercapitalized." Neither Well Capitalized nor Adequately Capitalized.

For insured branches of foreign banks, the capital groups are:

"Well Capitalized." The insured branch maintains the pledge of assets required under 12 CFR 346.19, and the branch maintains the eligible assets prescribed under 12 CFR 346.20 at 108 percent or more of the average book value of the insured branch's third party liabilities for the quarter ending on the capital group cut-off date.

"Adequately Capitalized." Not Well Capitalized, and the insured branch maintains the pledge of assets required under 12 CFR 346.19, and the branch maintains the eligible assets prescribed under 12 CFR 346.20 at 106 percent or more of the average book value of the insured branch's third party liabilities for the quarter ending on the capital group cut-off date.

"Undercapitalized." Neither Well Capitalized nor Adequately Capitalized.

Supervisory group assignments for members of the DIF are defined below.
**Supervisory Group Descriptions**

Group A. This group consists of financially sound institutions with only a few minor weaknesses and generally corresponds to the primary federal regulator's composite rating of "1" or "2."

Group B. This group consists of institutions that demonstrate weaknesses which, if not corrected, could result in significant deterioration of the institution and increased risk of loss to the DIF. This group assignment generally corresponds to the primary federal regulator's composite rating of "3."

Group C. This group consists of institutions that pose a substantial probability of loss to the DIF unless effective corrective action is taken. This group assignment generally corresponds to the primary federal regulator's composite rating of "4" or "5."