



PRESS RELEASE

Federal Deposit Insurance Corporation • Each Depositor insured to at least \$250,000

June 22, 2001

Media Contact:
Rosemary George (202) 898-6530

As Economy Slows, FDIC Reports On Banking Industry Readiness

U.S. banks generally are well positioned to deal with difficulties if the economy continues to slow, the Federal Deposit Insurance Corporation reported today.

"Banks are in much better condition today to weather an economic downturn compared to ten years ago, when many institutions were saddled with impaired capital and negative earnings," said FDIC Chairman Donna Tanoue.

Despite the general strength of the industry, the FDIC's semi-annual review of economic conditions and emerging risks in banking noted that a slowing of the economy could create problems for some institutions. The transition from a period of rapid economic growth to one of slower growth could be especially difficult for institutions with aggressive risk selection or heightened lending concentrations.

The semi-annual review was published in the FDIC's [Regional Outlook](#) for the second quarter of 2001. Regional developments relating to the performance of insured institutions during a slowing economy include:

Atlanta Region. Community banks in the Atlanta Region that have operated in an environment characterized by high and rapid market growth, strong competition, aggressive lending practices, and relatively high rates of bank formation may be particularly vulnerable during a slowing economy.

Boston Region. Strong aggregate capital and earnings among the Region's institutions will help mitigate the effects of an increase in credit risk and interest-rate risk, a continued narrowing of net interest margins, and slower economic growth.

Chicago Region. Insured institution performance remains favorable in the Region's major banking markets. Going forward, bank and thrift performance will be influenced by



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-46-2001

how current risk profiles interact with the uneven effects of the slowdown in the national economy.

Dallas Region. The Region's insured institutions are vulnerable to softening in the commercial real estate sector, higher energy prices, and agricultural borrowers' growing reliance on off-farm income during a slowing economy.

Kansas City Region. Government payments and off-farm income have mitigated the effects of depressed farm operating revenues and, as a result, the Region's farm banks continue to report favorable financial conditions.

Memphis Region. Although the nation's and the Region's unemployment rates remain relatively low, the regional economy slowed more sharply than the nation's late in 2000. Through first quarter 2001, the state of Mississippi reported job losses for eight consecutive months. Past-due loans among Memphis Region insured institutions rose during the last quarter of 2000 to the highest year-end level since 1992.

New York Region. Weakening credit quality, particularly among the Region's large institutions, could pressure profitability as loan loss reserves have declined to the lowest level since 1990.

San Francisco Region. Higher energy prices and power shortages, technology sector weakness, equity market volatility, and softening in the commercial real estate sector could dampen the Region's otherwise strong economic and banking conditions.
