PRESS RELEASE

Federal Deposit Insurance Corporation

FOR IMMEDIATE RELEASE
January 5, 2006

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Full Effects of Recent Hurricanes on Gulf Coast Banks Will Take Time to Assess

FDIC Offers Preliminary Analysis on FDIC-Insured Banks

The Federal Deposit Insurance Corporation (FDIC) today released the Winter 2005 edition of *FDIC Outlook*, which focuses on the unique challenges banks face after Hurricanes Katrina and Rita. It also examines the impact that four previous natural disasters have had on the local banking industry.

"Banks have historically been resilient to the challenges posed by natural disasters and have actually showed a tremendous ability to rebound from them," said FDIC Chief Economist Richard A. Brown. "Clearly, however, the economic losses associated with Hurricane Katrina will be of a much greater magnitude than our recent historical examples." The greatest long-term challenges facing banks affected by Hurricanes Katrina and Rita, according to the report, will be exposure to higher credit losses and lower long-term earnings capacity.

While concluding that the banking sector, like many others, will be dealing with the aftereffects of the storms for some time, FDIC analysts examined available data to draw preliminary conclusions about the hurricanes' effects on local FDIC-insured banks and the regional and national economies. The latest *FDIC Outlook* features:

- A historical analysis of how local banks performed after four natural disasters that have struck the United States since 1989. Although no banks failed, it is not yet clear how applicable these experiences will be to the case of Hurricane Katrina;
- A summary of the financial characteristics of banks affected by Katrina, focusing on the 49 counties and parishes in Louisiana, Mississippi, and Alabama designated as eligible for federal disaster assistance; and
- A discussion of the challenges that banks located in the hardest-hit areas of New Orleans and the Mississippi Gulf Coast now face in the longer-term associated with credit quality and franchise value.

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