A REPORT ON MISSISSIPPI BANKING

A single phrase from the mission statement of the Department of Banking and Consumer Finance (DBCF) has boded well during this economic downturn we are well into. This phrase**—"to provide quality supervision and regulation"—**may be simple, but it is at the heart of all actions taken by the DBCF. One of the greatest strengths of state financial regulation is our proximity to local communities and our awareness of what is happening locally. Our examiners live and work in various communities across the state and travel extensively throughout the state on an almost daily basis, thus giving them a feel of local nuances and conditions. With that said, DBCF has worked hard to see that the banks under its purview are operating in a manner that will serve its community and protect its depositors.

It seems each day brings more news on banking issues, whether it is another bank failure, the issuance of yet more government assistance, development of more federal regulations, more restrictions, etc. Generally, this media frenzy was brought about by the actions of our nation's largest institutions, or by non-bank institutions that have been miscategorized by the media as such. This daily bombardment does give a grim picture of the stability of the banking industry. However, the picture in Mississippi is certainly not as bad as what is described in the numerous articles that have been circulating for months.

DBCF, as you can imagine, now gets questions almost daily from citizens addressing the condition of their bank, such as, "Is my bank safe?" or "Should I move my account?" While these are valid concerns and questions, DBCF is statutorily and morally bound not to discuss confidential and specific information about any one bank it is charged with overseeing. We do listen and offer advice to consumers, such as encouraging consumers to have a discussion with their local banker, seeking information from other sources to make their own decision on an institution, or suggesting the consumer review the public information available on your bank found at www.fdic.gov. The FDIC's web site has a plethora of information about a bank that has been catalogued for many quarters.

If one should venture to the FDIC web site, they would be overwhelmed by ratios. Let me discuss several that DBCF think are significant. While we use many other components in an examination, these ratios are a major factor in analyzing a bank's condition. A comparison, using these ratios, will also be made as to how the overall condition of the 95 banks that are chartered and supervised by the state of Mississippi banks stack up against the nation's banks when using these ratios. These 95 banks and their combined assets of $57.6 billon make Mississippi the 25th largest state when using bank assets.

Let's take a look at ROA (Return on Assets or net income divided by total assets); ROE (Return on Equity or net income divided by total equity); Loss Allowance to Noncurrent Loans (dollars set aside for potential loss in past due loans); Noncurrent Loans (non-accrual loans and loans past due 30 days or greater) to Total Loans; Core Capital (leverage) ratio (capital, surplus, and undivided profits to assets); and Tier 1 Risk-Based

Capital Ratio (core capital and reserves to risk weighted assets). With exception of ROE, the other ratios play an important part in the analysis of a bank's condition when under examination. ROE is a measure that stockholders look to for their personal investment analysis, but it is also an important ratio when considering bank operations.

Information dated June 30, 2009 will be used and they will have been annualized for these comparisons.

Ratio	**Mississippi**	**Nation**
ROA (the historic goal is 1.00%)	0.35%	0.04%
ROE (industry strives for at least 8%)	3.39%	0.38%
Loss Allowance to Noncurrent loans[1]	79.88%	63.54%
Noncurrent Loans to Total Loans[2]	1.87%	4.35%
Core Capital (leverage) ratio[3]	9.07%	8.25%
Tier 1 Risk-Based Capital ratio[4]	12.12%	11.05%

[1] This illustrates Mississippi banks have reserved for potential loss almost $0.80 for each $1.00 of past due loans.
[2] While both ratios are manageable, Mississippi seems to be faring much better with past dues.
[3] Both ratios exceed the regulatory definition of "well capitalized" of 6%, but Mississippi banks appear stronger.
[4] Mississippi banks have more capital and reserves and less risky assets than the banks in the rest of the nation.

While Mississippi ratios are above the national ratios, it does not diminish the fact that there are problems in Mississippi. Fortunately, our problems are not to the extent as seen across the country. I am confident in the very conservative bank management teams in Mississippi banks and I believe they have positioned their banks to operate in a safe and sound manner, while continuing to serve as an economic engine to the towns and communities in which they are located.

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