

PRESS RELEASE

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Mississippi's Banks: Safe and Strong

Sound banking practices, effective management and thorough supervision have kept Mississippi's banks safe and strong and prepared to deal with economic challenges. That was the message delivered before a joint hearing of the Senate and House banking committees on Tuesday at the State Capitol.

"Mississippi banks have avoided the much-publicized economic woes experienced on Wall Street," said Bill Sones, CEO of Bank of Brookhaven and chairman of the Mississippi Bankers Association (MBA), whose membership holds 99% of the state's bank deposits. "Our banks did not create the current economic problems, but we are prepared to deal with them."

Sones spoke to Tuesday's hearing conducted by the Senate Business & Financial Institutions and the House Banking & Financial Services committees. Other bankers speaking at the hearing included Aubrey Patterson, CEO of BancorpSouth, Tupelo; Richard Hickson, CEO of Trustmark National Bank, Jackson; and Carl Chaney, CEO of Hancock Bank, Gulfport.

Also testifying were economist Gary Beasley, regional manager in the Division of Insurance and Research of the Federal Deposit Insurance Corporation (FDIC), Memphis; Charlotte Buchanan, director of the Banking Division of the Mississippi Department of Banking and Consumer Finance; and Dr. Ken Cyree, Chair of Banking and Interim Dean of Business at the University of Mississippi.

A major focus at Tuesday's hearing was to differentiate the state's 98 insured banking institutions from investment banks and other firms which have failed in recent weeks. "Mississippi banks are in the business of providing a safe place for deposits and, through sound lending practices, making credit available to individuals and businesses," Sones stated. "We have a true stake in the communities we serve, and our success is tied to the local economy." This is not true with investment banks, he added. Bankers who spoke Tuesday noted that Mississippi banks had virtually no investment in "sub-prime" mortgages, which were the source of huge losses on Wall Street.

Mississippi Bankers Association/Add 1

Commercial banks operate under government charters, which carry obligations to consumers and communities; investment banks have no such obligations. Additionally, commercial banks are monitored and examined on a regular basis by bank regulators to assure safe business practices and compliance with state and federal regulations. Investment banks, and many non-bank mortgage lenders, do not have the same level of government oversight.

Mississippi consumers can have confidence in the safety of bank deposits for a number of reasons, including high levels of bank capital – the first line of defense against loss – and deposit insurance, which is provided by all Mississippi banks through the FDIC. This deposit insurance is backed fully by the U. S. government. “No customer has ever lost a penny of a deposit insured by FDIC,” Sones pointed out. Bank accounts are insured up to \$100,000 and retirement accounts up to \$250,000, and there are safe and legal ways to structure accounts to get additional coverage. Consumers can learn more by talking to their hometown banker or by visiting the FDIC Web site at www.fdic.gov.

Sones and others sought to put current economic and banking conditions into historical perspective. He noted that in 1989, there were more than 500 bank failures across the country. So far this year, there have been 12. In the early 1990s, the regulators’ “problem bank” list included over 1,500 institutions; as of Tuesday, this list included less than 150 banks nationwide. Testimony also showed that, by a number of measures, Mississippi’s economy is outperforming the nation. For example, Mississippi was one of 18 states to experience an increase in the average home price over the past year. Additionally, in the second quarter of 2008, Mississippi’s banks compared favorably to national averages in a number of categories – including capital levels, profitability and percent of troubled loans.

“The bottom line is that our industry is better prepared than ever now to weather any economic storms that might occur,” Sones stated. “And there is no safer place for your money than in an insured deposit in a Mississippi bank.”