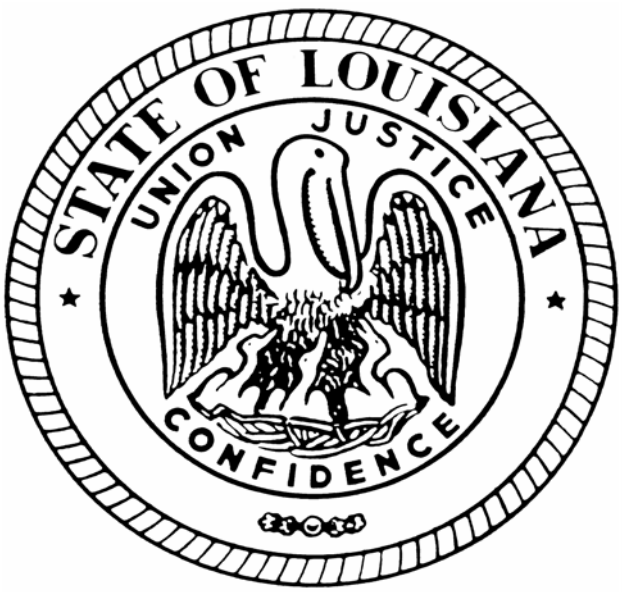
LOUISIANA BANKS AND THRIFTS FINANCIAL REPORT

For the Quarter Ended
December 31, 2006



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All financial information contained within this report was obtained from the Institution Directory and Statistics on Depository Institutions sections of the Federal Deposit Insurance Corporation's (FDIC) website, which is based on the quarterly financial reports filed by the individual banks and thrifts.

LOUISIANA BANKING INDUSTRY FINANCIAL CONDITION AS OF DECEMBER 31, 2006

Total assets for all banks domiciled in Louisiana increased from $70 billion to $71.74 billion, or by 1.68 percent, during the fourth quarter of 2006. During the fourth quarter, three of the four major asset categories increased while the fourth category decreased. Total loans and leases increased from $42.06 billion to $42.85 billion or by 1.88 percent. Federal funds sold increased from $3.74 billion to $5.04 billion or by 34.65 percent. Cash increased from $2.32 billion to $2.78 billion or by 19.91 percent. Total securities decreased from $15.34 billion to $13.95 billion or by 9.08 percent. On the liabilities side, total deposits increased from $54.84 billion to $55.62 billion or by 1.43 percent, while borrowed money increased from $4.94 billion to $5.36 billion or by 8.60 percent.

For state-chartered banks, total assets increased by 2.19 percent during the fourth quarter of 2006. Total loans, cash and Federal funds sold increased, while securities decreased. On the liabilities side, total deposits increased, while borrowed money decreased. In national banks, total assets increased by 1.37 percent during the fourth quarter of 2006. Like the state-chartered banks, total loans, cash, and Federal funds sold increased, while securities decreased. However, on the liabilities side, unlike the state-chartered banks, both total deposits and borrowed money increased.

A chart of selected performance indicators for all banks domiciled in Louisiana for the quarters ended December 31, 2006, and September 30, 2006; and for calendar years 2006 and 2005, is as follows:

TRENDS	Quarter Ended 12/31/2006	Quarter Ended 09/30/2006	Year Ended 12/31/2006	Year Ended 12/31/2005
Earnings				
Yield on Earning Assets	7.01% –	7.01%	6.84%↑	4.06%
Cost of Funds	2.76%↑	2.50%	2.40%↑	1.09%
Net Interest Margin	4.25%↓	4.51%	4.43%↑	2.97%
Loan Loss Provisions to Average Assets	-0.19%↓	0.10%	0.06%↓	0.29%
Operating Expenses to Average Assets	3.51%↑	3.42%	3.34%↑	2.19%
Return on Average Assets	1.15%↑	1.11%	1.13%↑	0.67%
Asset Quality				
Nonperforming Assets to Total Assets	0.50% –	0.50%	0.50%↓	0.69%
Net Charge-offs to Total Loans	0.43%↑	0.37%	0.36%↑	0.19%
Capital and Liquidity				
Tier 1 Leverage Capital Ratio	8.43%↑	8.37%	8.43%↑	8.20%
Earning Assets to Total Assets	86.63%↓	86.94%	86.63%↑	85.69%
Loans to Deposits	76.08%↑	75.64%	76.08%↑	73.45%

The annualized year-to-date return on average assets (ROAA) increased slightly during the fourth quarter of 2006, and the vast majority of banks domiciled in Louisiana continues to show solid earnings performance as a result of satisfactory net interest margins, stable and controlled operating expenses, and low provisions for loan losses. In addition, earnings retention continues to augment a sound capital base, in spite of generally strong asset growth. Although asset quality remains satisfactory, the dollar volume of net charge-offs has increased sharply. However, while the dollar volume of nonperforming assets has increased slightly, the nonperforming assets ratio has remained stable during the quarter and declined from the same time period last year.

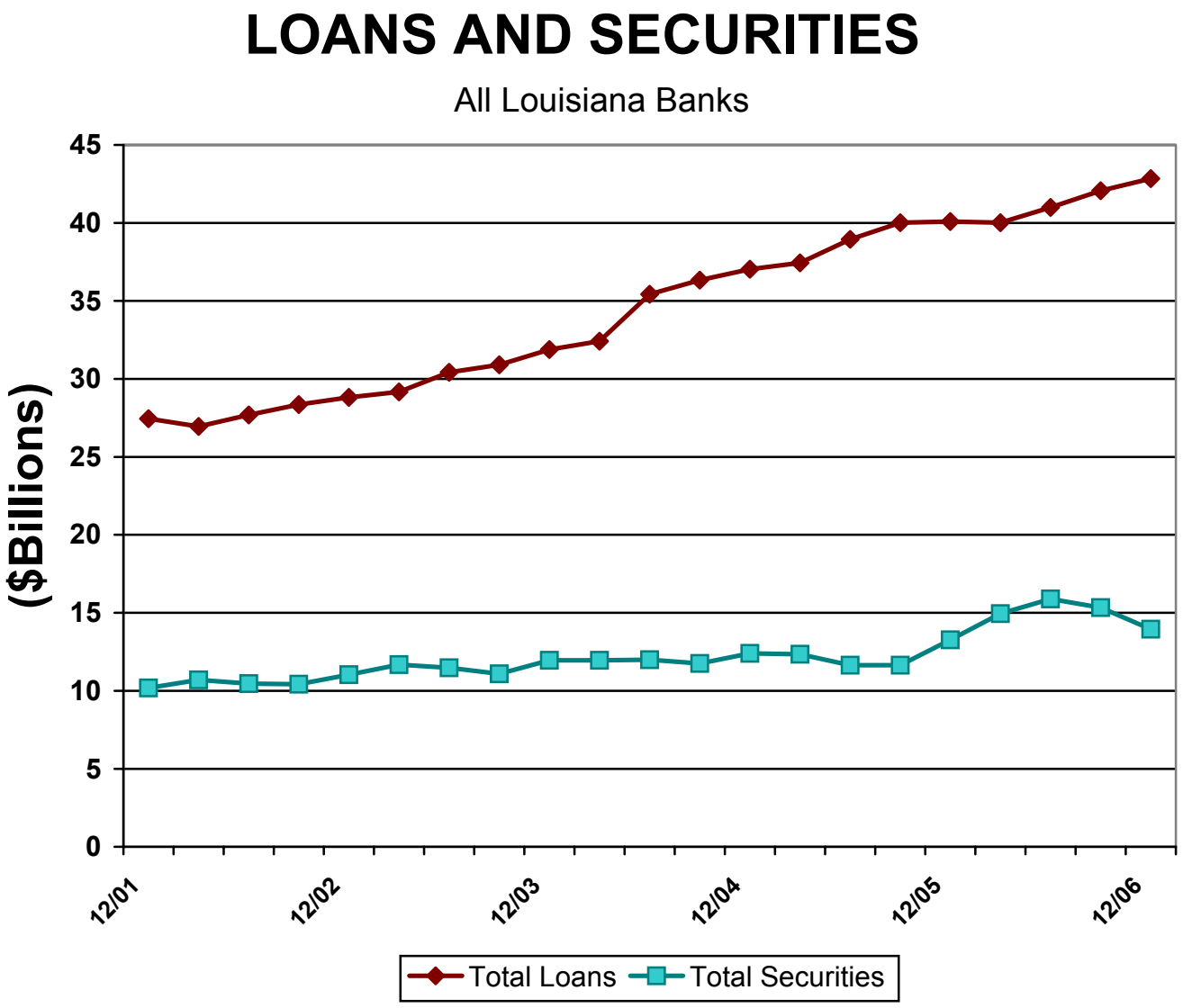

Figure 1

As previously mentioned, total loans and leases increased by 1.88 percent during the fourth quarter of 2006, from $42.06 billion to $42.85 billion or by approximately $0.79 billion. Total loans and leases have increased in 19 of the past 21 quarters. During the fourth quarter, increases were noted in real estate loans, commercial loans, and other loans, with decreases in farm loans and consumer loans. Real estate loans increased from $26.11 billion to $26.61 billion or by $497 million. Commercial loans increased from $7.86 billion to $8.27 billion or by $411 million. Other loans increased from $1.52 billion to $1.62 billion or by $94 million. Farm loans decreased from $456 million to $309 million or by $146 million. Consumer loans decreased from $6.13 billion to $6.06 billion or by $68 million.

During the fourth quarter of 2006, state-chartered banks experienced growth in the same three loan categories and decline in the same two categories noted above. In this same time period, national banks experienced similar trends in all the same categories.

Figure 1 above and Figure 2 on the following page demonstrate the trend in total loans and leases and securities since year-end 2001 and the composition in the loan portfolio mix at December 31, 2006, respectively.

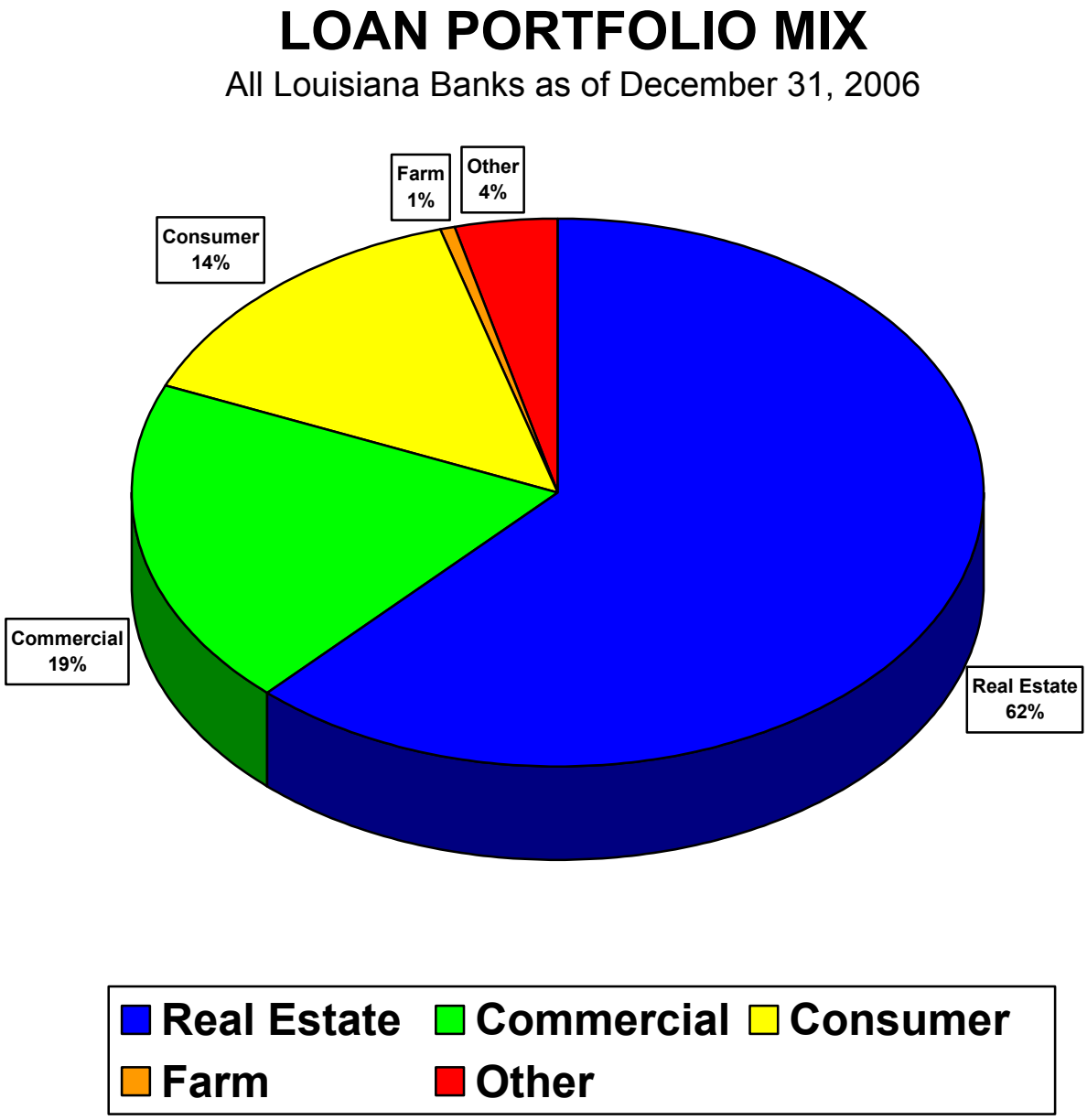

Figure 2

As of December 31, 2006, for state-chartered banks, the loan portfolio mix is as follows: real estate loans - 70 percent; commercial loans - 15 percent; consumer loans - 12 percent; farm loans - 1 percent; and other loans - 2 percent. As of this same date, for national banks, the loan portfolio mix is as follows: real estate loans - 57 percent; commercial loans - 22 percent; consumer loans - 16 percent; farm loans - 0 percent; and other loans - 5 percent.

The ratio of loans to deposits increased during the fourth quarter of 2006, from 75.64 percent as of September 30, 2006, to 76.08 percent as of December 31, 2006, as total loans continued to increase at a faster pace than total deposits during 2006. Figure 3 below illustrates the aggregate loan-to-deposit ratio trend since year-end 2001.

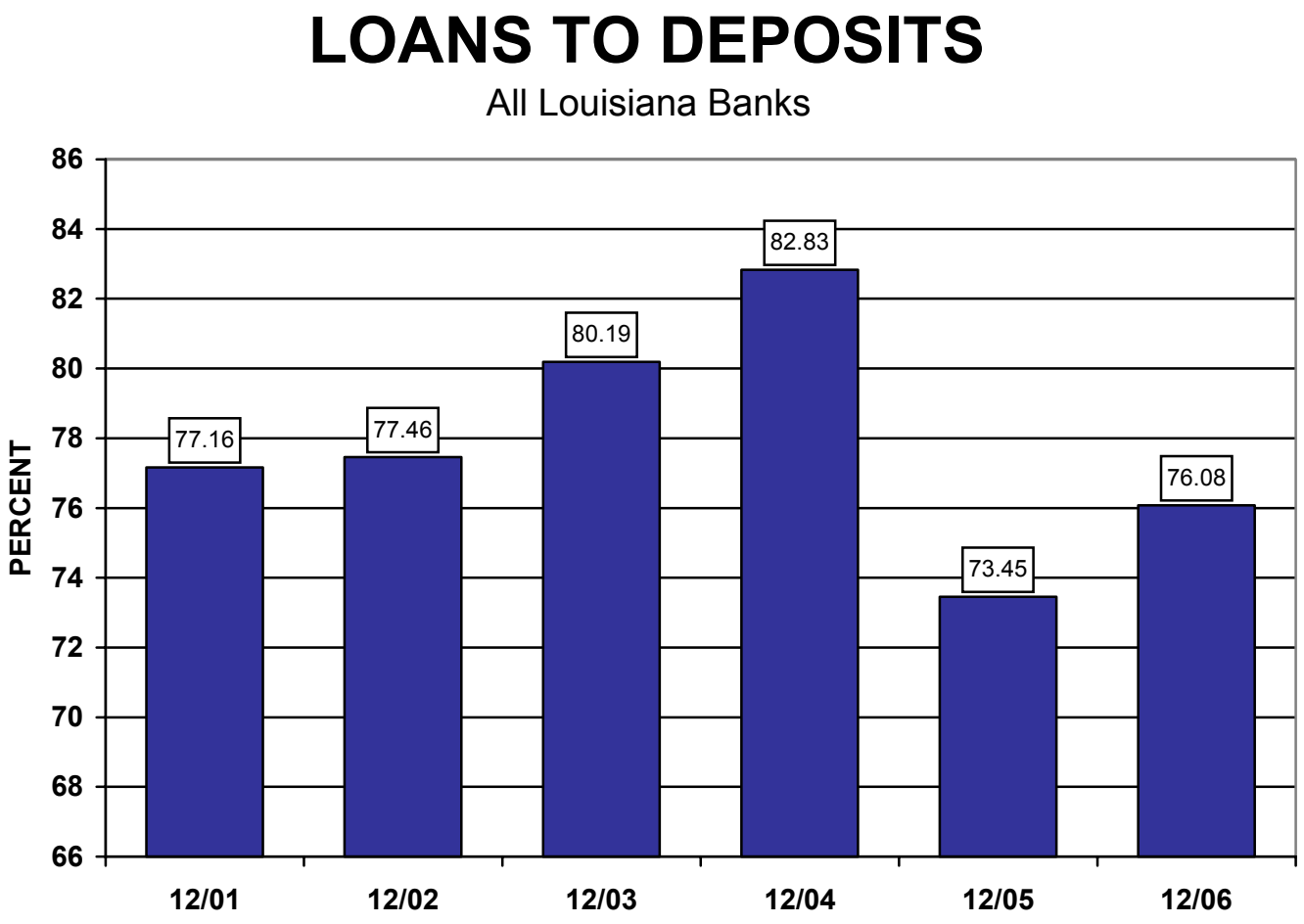

Figure 3

For state-chartered banks, the ratio of loans to deposits decreased from 75.67 percent as of September 30, 2006, to 75.02% as of December 31, 2006, since loans grew at a slower rate than deposits. For national banks, the ratio grew from 75.62 percent as of September 30, 2006, to 76.82 percent as of December 31, 2006, as loans grew at a faster rate than deposits.

On the liabilities side, total deposits increased from $54.84 billion as of September 30, 2006, to $55.62 billion as of December 31, 2006, or by 1.43 percent, while borrowed money increased from $4.94 billion as of September 30, 2006, to $5.36 billion as of December 31, 2006, or by 8.60 percent. Core deposits increased from $44.99 billion as of September 30, 2006, to $45.29 billion as of December 31, 2006, or by 0.65 percent. Figure 4 below shows the mix of deposits and borrowed money since year-end 2001.

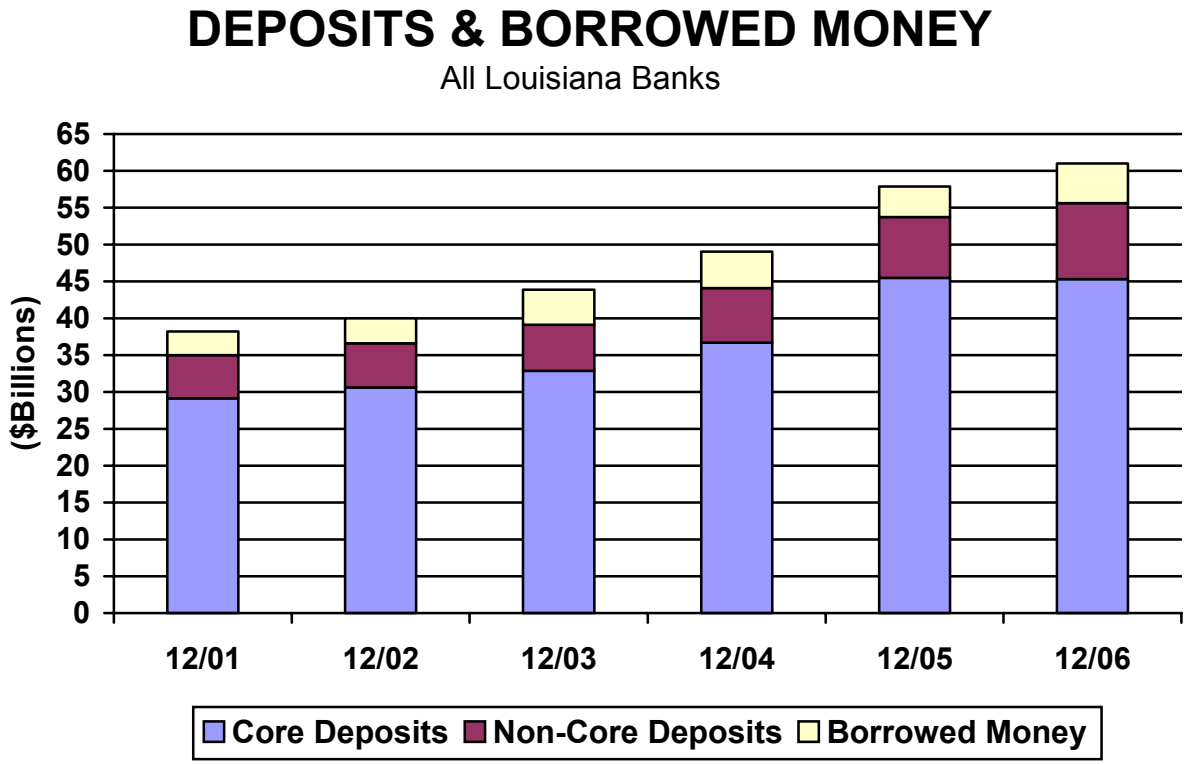

Figure 4

Borrowed money increased during the fourth quarter of 2006. As of December 31, 2006, borrowed money totaled $5.36 billion and consisted of Federal funds purchased totaling $1.94 billion, Federal Home Loan Bank (FHLB) advances totaling $3.25 billion, and other borrowings totaling $168 million. As of September 30, 2006, borrowed money totaled $4.94 billion and consisted of Federal funds purchased totaling $2.54 billion, Federal Home Loan Bank (FHLB) advances totaling $2.30 billion, and other borrowings totaling $105 million. Total borrowed money for state-chartered banks decreased by $135 million during the fourth quarter with decreases in Federal funds purchased, FHLB advances, and other borrowings. Total borrowed money for national banks increased by $560 million during the third quarter with increases in FHLB advances, and other borrowings, and a decrease in Federal funds purchased.

Non-core deposits increased during the fourth quarter of 2006. As of December 31, 2006, non-core deposits totaled $10.34 billion and consisted of time deposits of $100,000 or more totaling $8.24 billion and deposits in foreign offices totaling $2.10 billion. As of September 30, 2006, non-core deposits totaled $9.85 billion and consisted of time deposits of $100,000 or more totaling $7.84 billion and deposits in foreign offices totaling $2.01 billion. During the third quarter, non-core deposits in state-chartered banks, consisting entirely of time deposits of $100,000 or more, increased by $210 million. During this same time, non-core deposits in national banks increased by $279 million with a $83 million increase in deposits in foreign offices and a $196 million increase in time deposits of $100,000 or more.

The ratio of core deposits to total deposits and borrowed money decreased slightly during the fourth quarter of 2006, going from 75.26 percent as of September 30, 2006, to 74.25 percent as of December 31, 2006. The core deposit ratio has fluctuated in the last 22 quarters between approximately 74 and 79 percent, with increases in 10 quarters and decreases in 12 quarters. Figure 5 below illustrates the trend in the core deposits to total deposits and borrowed money ratio since year-end 2001.

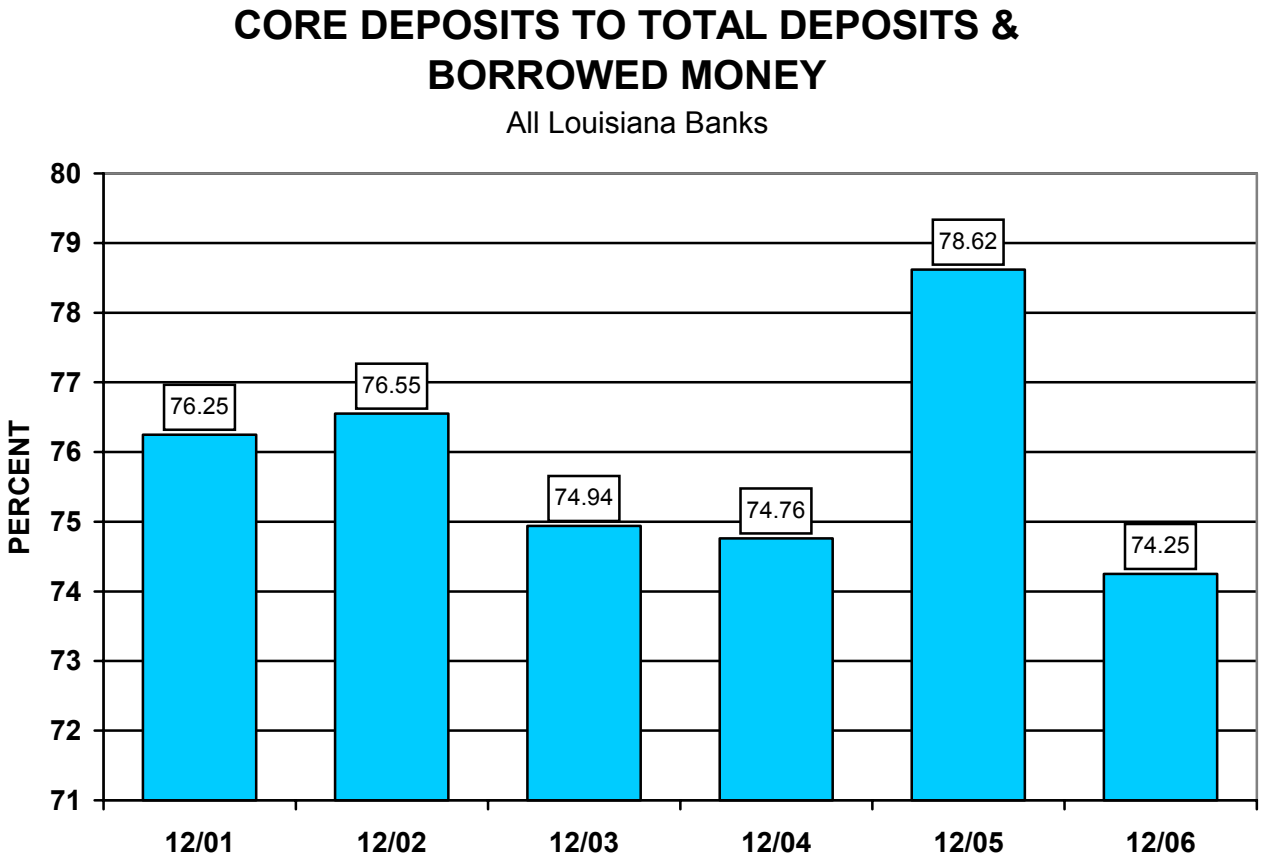

Figure 5

For state-chartered banks, the ratio of core deposits to total deposits and borrowed money increased slightly to 77.02 percent as of December 31, 2006, from 76.79 percent as of September 30, 2006. For national banks, this ratio decreased to 72.41 percent as of December 31, 2006, from 74.25 percent as of September 30, 2006.

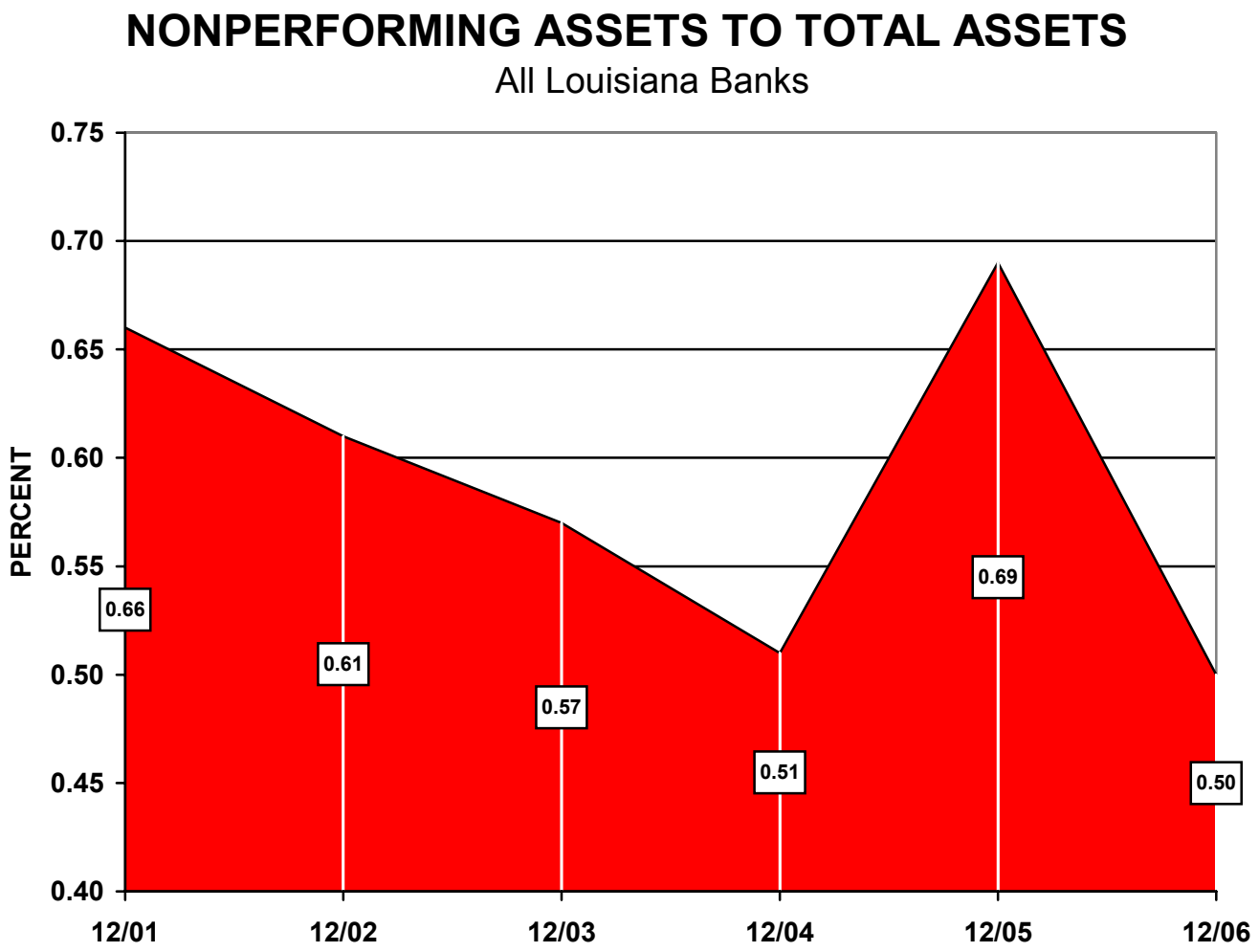

Figure 6

The volume of nonperforming assets increased slightly during the fourth quarter of 2006, from $353 million as of September 30, 2006, to $354 million as of December 31, 2006, or an increase of 0.04 percent. The percentage of nonperforming assets to total assets remained steady at 0.50 percent from September 30, 2006, to December 31, 2006. Figure 6 above illustrates that the ratio of nonperforming assets to total assets declined steadily from 2001 through 2004, spiked upward in 2005, steadily declined through the third quarter of 2006, and remained steady in the fourth quarter, a ratio which below all previous levels shown.

The aggregate of noncurrent loans (loans past due 90 days or more and accruing interest plus nonaccrual loans) decreased from $319 million as of September 30, 2006, to $317 million as of December 31, 2006, or by 0.07 percent. The ratio of noncurrent loans to total loans decreased from 0.76 percent as of September 30, 2006, to 0.74 percent as of December 31, 2006. Other real estate owned increased from $34 million as of September 30, 2006, to $36 million as of September 30, 2006.

In the fourth quarter of 2006, nonperforming loans decreased from $158 million to $155 million in state-chartered banks and increased from $161 million to $162 million for national banks. In this same quarter, other real estate owned decreased from $27 million to $21 million in state-chartered bank and doubled from $8 million to $15 million in national banks. From September 30, 2006 to December 31, 2006, the ratio of nonperforming assets to total assets decreased from 0.69 percent to 0.65 percent in state-chartered banks and increased nominally from 0.39 percent to 0.40 percent in national banks.

Net charge-offs recognized in the fourth quarter of 2006 totaled $46 million, an increase from the $39 million in net charge-offs recognized in the third quarter of 2006. The annualized net charge-off ratio increased to 0.43 percent for the quarter ending December 31, 2006, from 0.37 percent for the quarter ending September 30, 2006. However, the ratio of net charge-offs to total loans (year-to-date) increased modestly from 0.34 percent as of September 30, 2006, to 0.36 percent as of December 31, 2006. Net charge-offs totaled $150 million and $73 million for calendar years 2006 and 2005, respectively, with a 2005 net charge-off ratio of 0.19 percent.

From September 30, 2006 to December 31, 2006, quarterly net charge-offs increased from $18 million to $26 million for state-chartered banks and decreased from $21 million to $20 million for national banks. State-chartered banks experienced an 18 basis point increase and a 6 basis point increase, respectively, in the annualized net charge-off ratio for the fourth quarter of 2006 and the year-to-date net charge-off ratio while national banks have seen nominal decreases in both the annualized net charge-off ratio for the fourth quarter of 2006 and the year-to-date ratio.

Loan loss reserves decreased from $573 million as of September 30, 2006, to $524 million as of December 31, 2006. The ratio of loan loss reserves to total loans decreased from 1.36 percent as of September 30, 2006, to 1.22 percent as of December 31, 2006. Since year-end 2001, this ratio has fluctuated but primarily trended downward, as follows: 1.60 percent as of December 31, 2001; 1.63 percent as of December 31, 2002; 1.52 percent as of December 31, 2003; 1.38 percent as of December 31, 2004; and 1.49 percent as of December 31, 2005. Loan loss provisions totaled a negative $34 million during the fourth quarter of 2006, or negative 0.19 percent of average assets, as compared to $18 million during the third quarter of 2006, or 0.10 percent of average assets. Loan loss provisions totaled $42 million and $171 million for calendar years 2006 and 2005, respectively.

During the fourth quarter of 2006, loan loss reserves decreased from $258 million to $245 million and from $316 million to $279 million for state-chartered and national banks, respectively. With the decline in the dollar volume of the reserves and an increase in loans, from September 30, 2006 to December 31, 2006, the ratio of loan loss reserves to total loans decreased from 1.52 percent to 1.41 percent and from 1.26 percent to 1.09 percent for state-chartered and national banks, respectively. Loan loss provisions for the fourth quarter increased from $5 million to $13 million for state-chartered banks and decreased from $13 million to a negative $48 million for national banks. For the calendar years 2006 and 2005, loan loss provisions for the years totaled $41 million and $116 million, respectively, for state-chartered banks, and $2 million and $55 million for national banks, respectively.

Review of the Allowance for Loan and Lease Losses (ALLL) Account

On December 13, 2006, the Federal regulatory agencies re-issued their July 2, 2001, Interagency Policy Statement entitled "ALLL Methodologies and Documentation for Banks and Savings Associations" with frequently asked questions entitled "Questions and Answers on Accounting for Loan and Lease Losses." Recently, the Louisiana Banker's Association offered three training sessions on the ALLL that included a thorough review of the applicable accounting principles and regulatory requirements. Representatives from this Office, the FDIC, and a public accounting firm conducted the training sessions. Based on the number of banks and thrifts in Louisiana, 58 percent, or 96 institutions, had at least one person attend this training with a number of these having more than one person attending on their behalf.

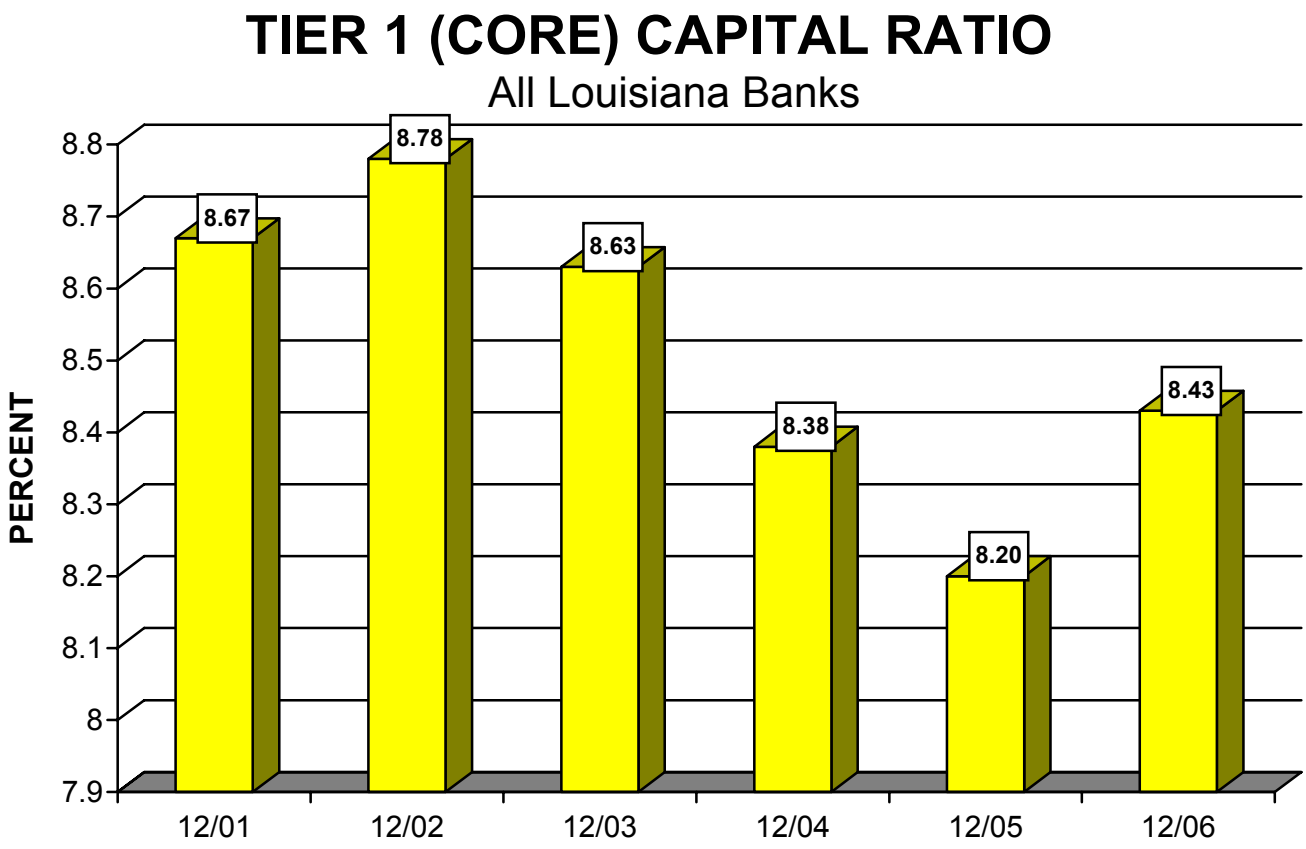

Figure 7

Tier 1 (core) Capital increased from $5.45 billion as of September 30, 2006, to $5.62 billion as of December 31, 2006. The Tier 1 (core) Capital ratio increased from 8.37 percent as of September 30, 2006, to 8.43 percent as of December 31, 2006, as growth in Tier 1 (core) Capital outpaced growth in the quarter-end average assets during the fourth quarter of 2006.

During the fourth quarter of 2006, Tier 1 (core) capital increased by $15 million in state-chartered banks; however, the Tier 1 (core) Capital ratio decreased from 9.51 percent to 9.35 percent. While quarter-end average assets growth outpaced Tier 1 (core) Capital growth, the level of dividends paid by state-chartered banks also significantly impacted the minimal growth in Tier 1 (core) Capital. During the fourth quarter of 2006, Tier 1 (core) capital increased by $159 million in national banks, and the Tier 1 (core) Capital ratio increased from 7.61 percent to 7.81 percent.

Figure 7 above illustrates the trend in the Tier 1 (core) Capital ratio since year-end 2001.

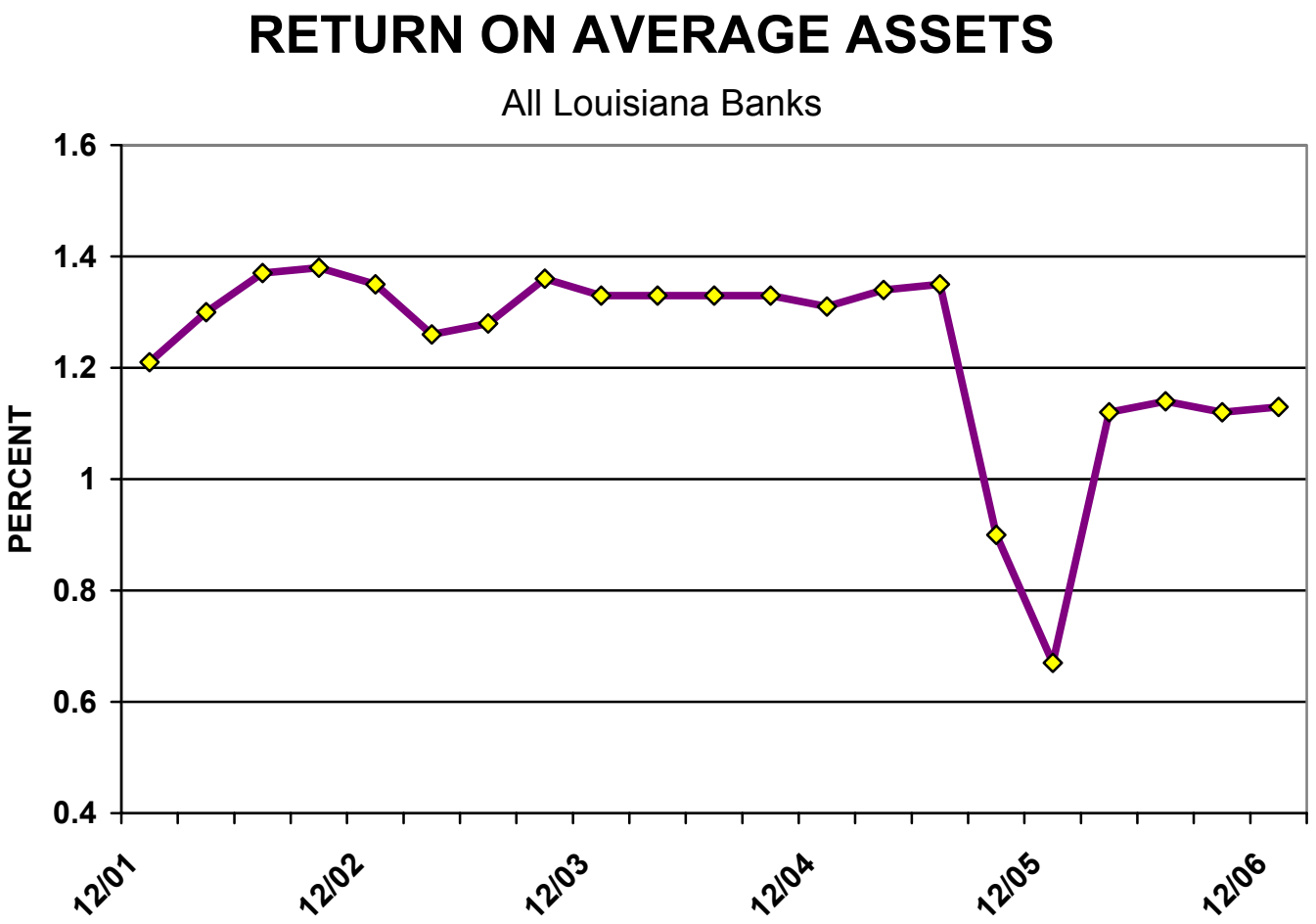

Figure 8

Earnings for the fourth quarter of 2006 remained strong and increased from the previous quarter with fourth quarter net income totaling $204 million, or a return on average assets of 1.15 percent annualized, as compared to $192 million, or a return on assets of 1.11 percent annualized, for the previous quarter. However, it is noted that $34 million in negative provisions for loan losses and $26 million in net gains on securities contributed to the increase. Twelve Louisiana banks showed net operating losses during the fourth quarter, and four of these were de novo banks opened from November 2005 to June 2006. These four de novo banks and another de novo opened in November 2004 are the only banks that reported net operating losses for the year.

As of December 31, 2006, there are 43 state-chartered and 4 national banks that have elected tax treatment as a Subchapter S corporation. Figure 8 above reflects the annualized year-to-date return on average assets for all Louisiana banks for every quarter since year-end 2001.

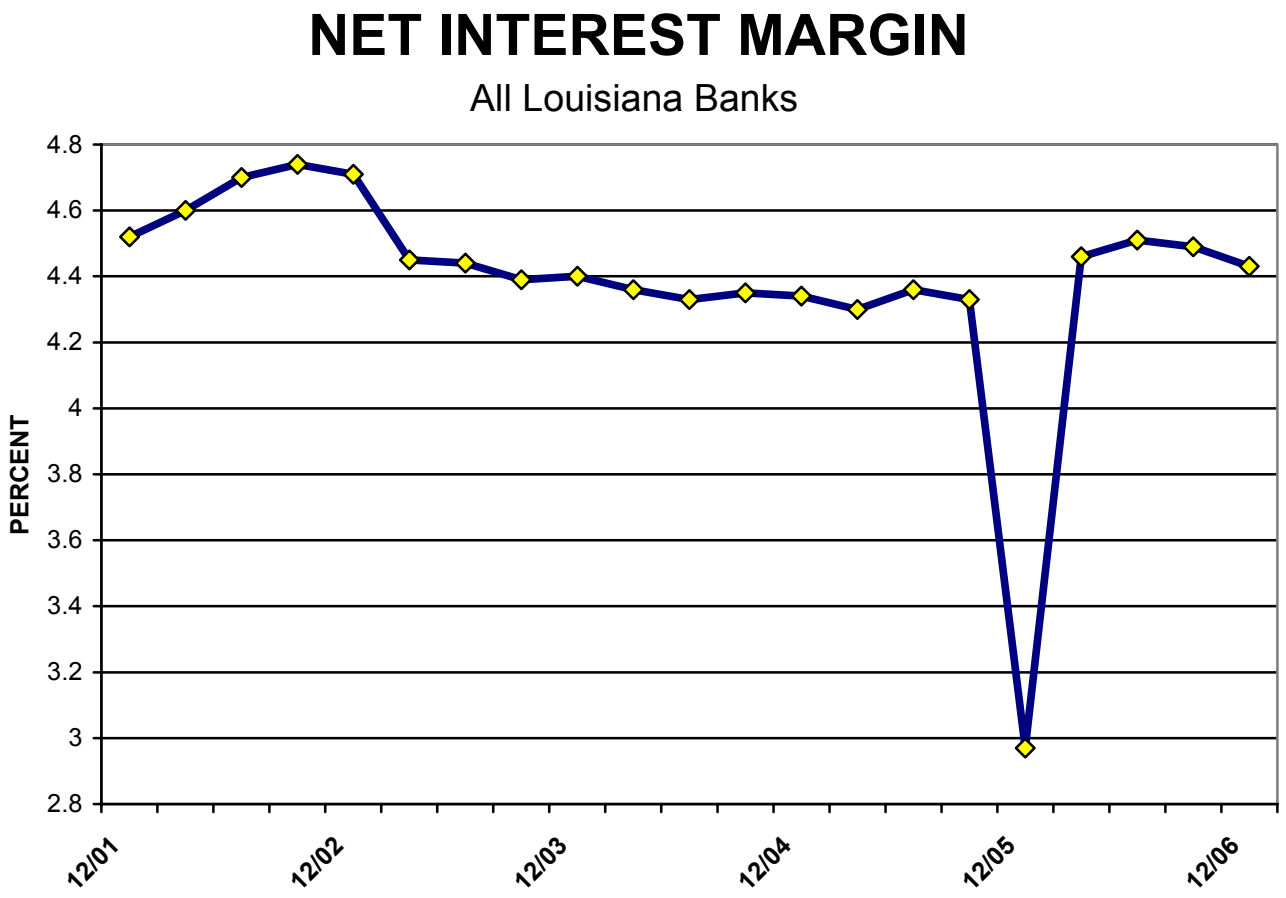

Figure 9

The industry's net interest margin decreased from 4.49 percent to 4.43 percent during the fourth quarter of 2006. The aggregate yield on earning assets increased from 6.78 percent to 6.84 percent, while cost of funds increased from 2.28 percent to 2.40 percent. During the fourth quarter of 2006, the net interest margin for state-chartered banks decreased from 4.69 percent to 4.67 percent while the net interest margin for national banks decreased from 4.37 percent to 4.27 percent. During this same time frame, the yield on earning assets for state-chartered and national banks increased from 6.96 percent to 7.03 percent and from 6.66 percent to 6.71 percent, respectively, while the cost of funds for state-chartered and national banks increased from 2.26 percent to 2.36 percent and from 2.30 percent to 2.43 percent, respectively.

Operating expenses increased in total and in two of the three reported categories during the fourth quarter of 2006, going from 3.42 percent of average assets to 3.51 percent of average assets. The industry showed a net gain on the sale of securities of $26.4 million during the fourth quarter of 2006, compared to a net loss of $2.2 million during the third quarter of 2006. Net losses on the sale of securities totaled $3.2 million for calendar year 2005 versus a net gain of $22 million for calendar year 2006. While increasing for both during the third quarter, the ratio of operating expenses to average assets at state-chartered banks was below both quarterly ratios above while the ratio at national banks was above the quarterly ratio shown above. State-chartered banks reported net losses on the sale of securities losses $1.8 million and $3.8 million in the third and fourth quarters, respectively, while national banks reported a net loss of $0.3 million in the third quarter and a net gain of $30.3 million in the fourth quarter. State-chartered banks reported net losses on the sale of securities at $7.3 million and $3.1 million for calendar years 2006 and 2005, respectively, while national banks reported a net gain of $29.2 and a nominal loss for calendar years 2006 and 2005, respectively.

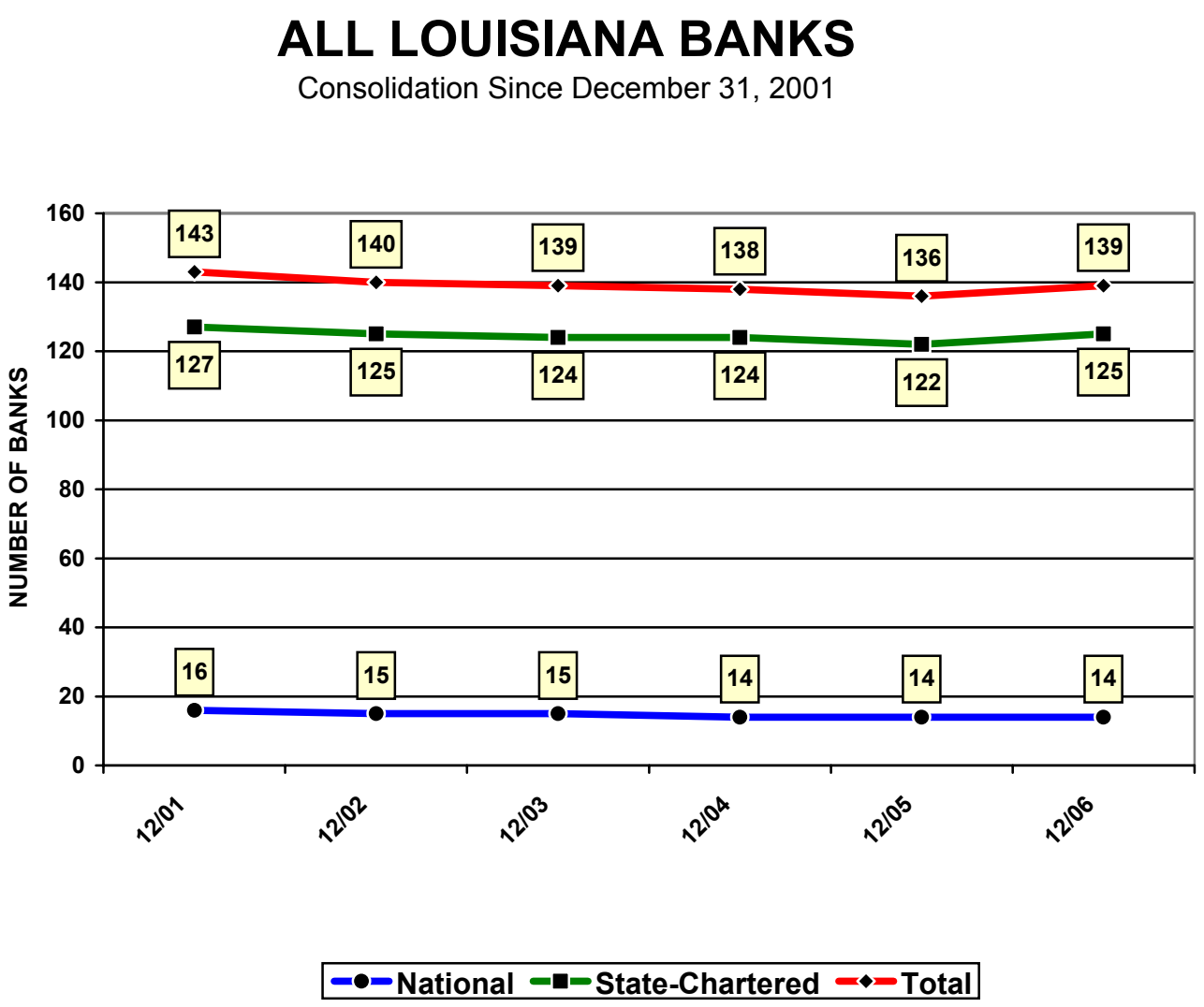

Figure 10

MERGERS AND ACQUISITIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2006

During the fourth quarter of 2006, there were no merger transactions. As of this writing, a state-chartered bank has announced its plans to acquire a federally-chartered savings association, with the merger expected to take place sometime in the second quarter of 2007, pending regulatory and shareholder approval. As of December 31, 2006, the bank and savings association report total assets of $714 million and $131 million, respectively.

As of December 31, 2006, there were 139 commercial banks in Louisiana, which included 125 state-chartered banks. These state-chartered banks held assets totaling $27.23 billion, or 38.25 percent of the Louisiana banking industry's $71.17 billion in total assets. After completion of the pending out-of-state move, there will remain 125 state-chartered banks holding 67.45 percent of the industry's assets and 13 national banks in Louisiana holding 32.55 percent of the industry's assets. Since December 31, 2001, the total number of banks in Louisiana has decreased slightly from 143 to 139, or by 2.80 percent, as illustrated in Figure 10 above. However, from November 2005 to June 2006, four new banks, all state-chartered, have opened for business.

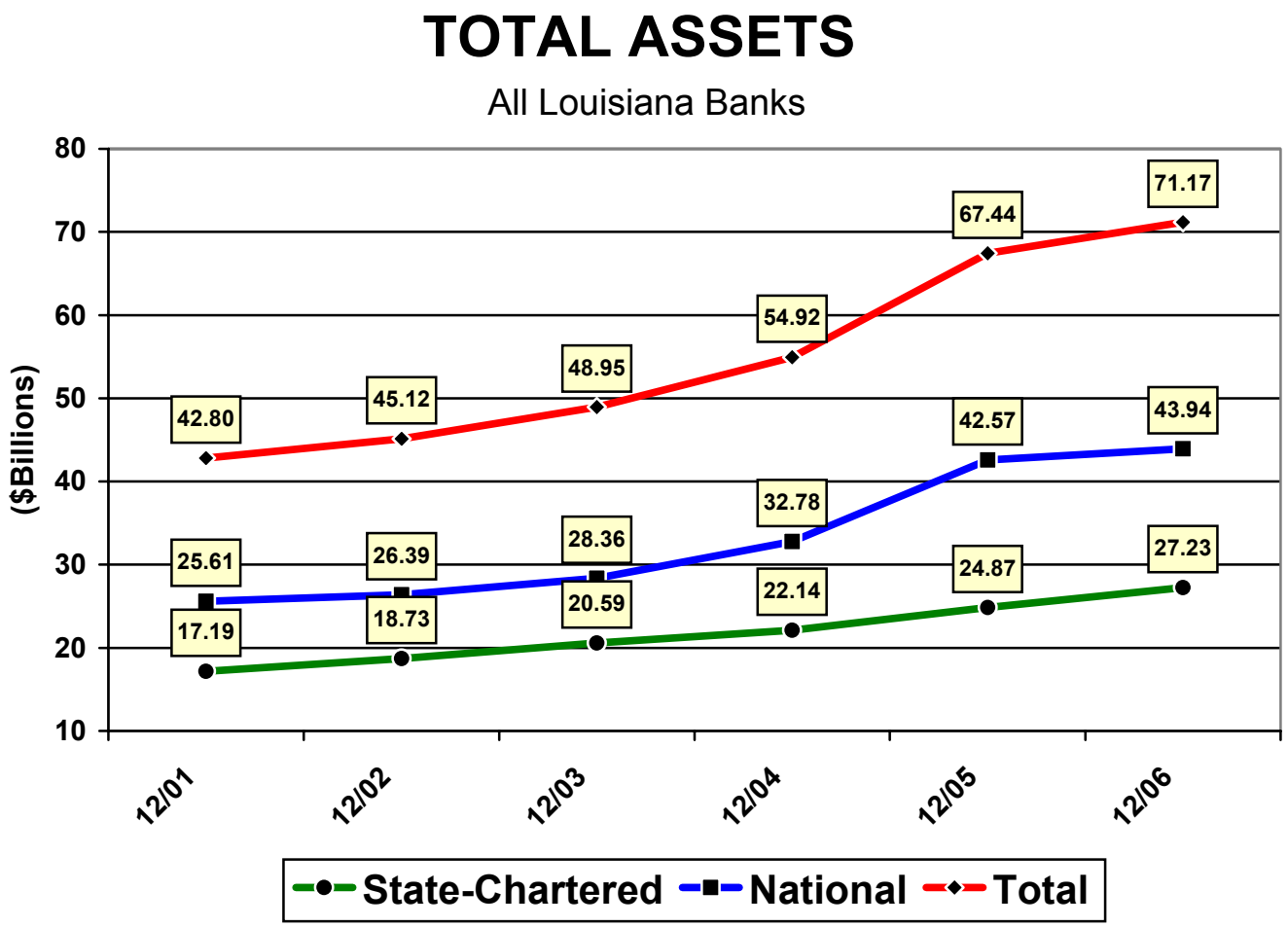

Figure 11

Total assets increased by 1.68 percent, from $70 billion as of September 30, 2006, to $71.17 billion as of December 31, 2006. Figure 11 above reflects the trend in total assets for state-chartered banks, national banks, and all banks in Louisiana for each year-end since 2001 and the current quarter-end. Total assets in Louisiana banks have grown for the 17 of the past 20 quarters despite some industry consolidation.

As of December 31, 2006, three out-of-state bank holding companies, from Arkansas, Mississippi, and Virginia, own Louisiana-domiciled bank subsidiaries with total assets of $33.20 billion, or 46.64 percent of the total assets of all Louisiana-domiciled banks. Two of the three out-of-state bank holding companies own state-chartered bank subsidiaries with total assets of $2.39 billion while the other out-of-state bank holding company owns a national bank subsidiary with total assets of $30.80 billion. In the first quarter of 2007, a Louisiana bank holding company has acquired two out-of-state financial institutions in Arkansas, consisting of a state member bank and a federal thrift, with total assets of approximately $499 million and $721 million, respectively, as of December 31, 2006.

CAMEL RATINGS FOR LOUISIANA BANKS AS OF DECEMBER 31, 2006

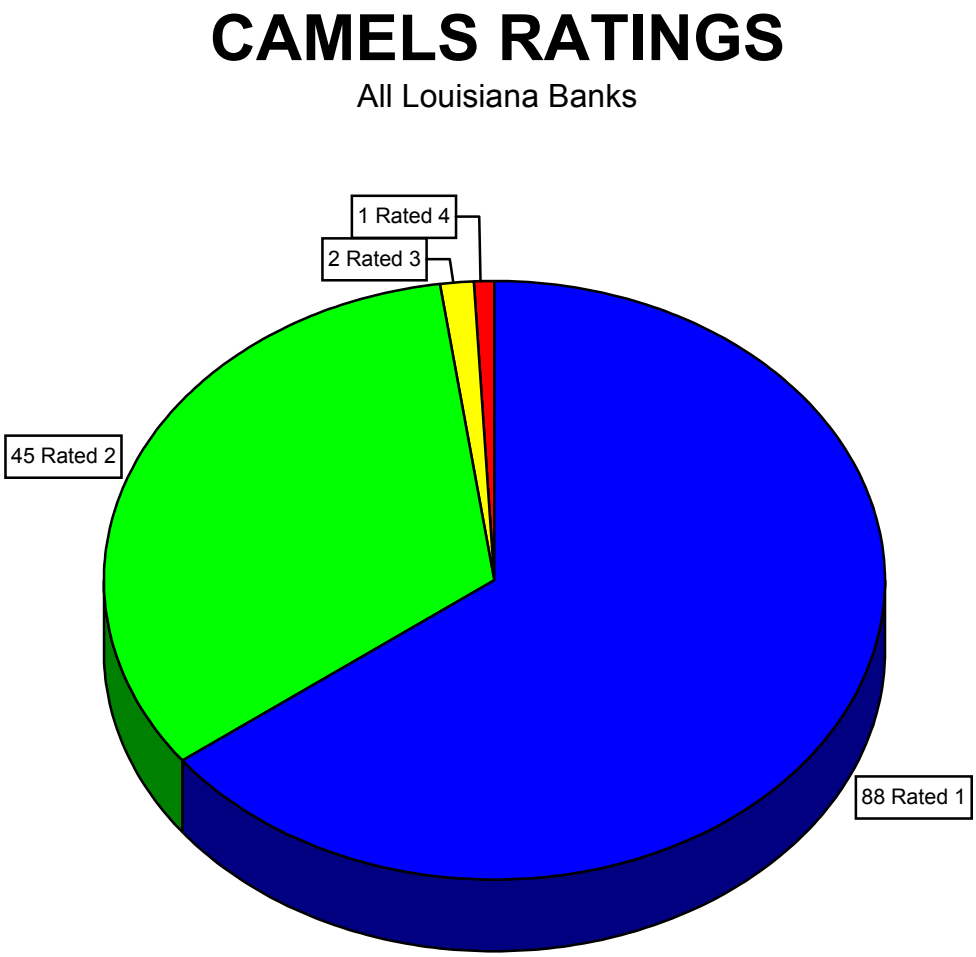

Figure 12

(Note: The above does not include three de novo banks not yet rated.)

Figure 12 above illustrates that, based on the CAMELS rating scale used by state and federal regulators, the financial condition of the Louisiana banking industry remains sound (see page 27 for the rating definitions). Of the banks presently rated, approximately 98 percent of the banks in Louisiana have an overall rating of 1 or 2, which is 1 percent above the previous quarter. Approximately 1 percent of the banks have an overall rating of 3, which is 1 percent below the previous quarter. There is one bank rated a composite 4, which is the same as the previous quarter. There are no banks rated a composite 5, which is the same as the previous quarter.

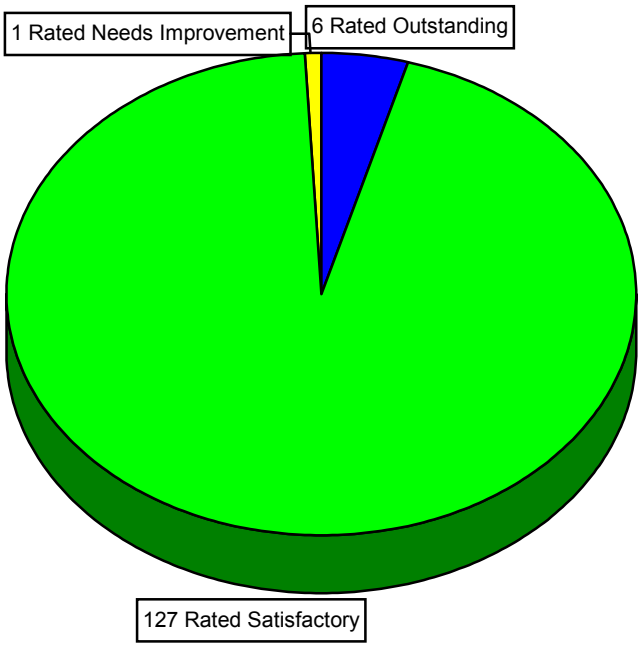

Figure 13

(Note: This chart does not include a bankers' bank since CRA ratings are not applicable, and four de novo banks that are not yet rated.)

As Figure 13 above demonstrates, Louisiana banks continue to work aggressively to meet the requirements of the Community Reinvestment Act. Of the 133 banks assigned a CRA rating, all but one of the Louisiana banks were rated Satisfactory or better at their last CRA examination. One bank's CRA rating was downgraded to Needs Improvement during the second quarter of 2006. However, all other CRA ratings did not change significantly during this same time frame.

BANK SUMMARY AS OF DECEMBER 31, 2006

The overall financial condition of Louisiana-domiciled banks remains sound at the present time. The fourth quarter of 2006 was characterized by increases in total assets, total deposits, and Tier 1 (core) Capital. Core deposits as a percent of total deposits and borrowed money increased slightly during the quarter. Earnings increased slightly from the previous quarter and remained strong. With Tier 1 (core) Capital growing faster than quarterly average assets, the Tier 1 (core) Capital ratio increased, and capital ratios remain well above minimum regulatory requirements. During the quarter, the dollar volume of nonperforming assets, primarily other real estate owned, increased with the ratio remaining stable. Net charge-offs increased during the fourth quarter of 2006. State and federal regulatory agencies will continue to closely monitor asset quality to ensure that banks adhere to sound underwriting guidelines and properly evaluate the adequacy of their ALLL, especially those impacted by hurricanes Katrina and Rita.

Bank CAMELS ratings and CRA ratings changed little during the second quarter of 2006 and continue to reflect favorably on the condition of the industry.

BANK LAGNIAPPE

- As of December 31, the breakdown of **all** Louisiana-domiciled banks by asset size is as follows:

Asset Size	# of Banks	%	Total Assets *	%
Assets < $100 Million	56	40	$3,472,253	5
Assets $100 Million to $300 Million	57	41	9,696,418	13
Assets $300 Million to $500 Million	10	7	3,723,622	5
Assets $500 Million to $1 Billion	12	9	7,741,238	11
Assets $1 Billion to $10 Billion	2	1	5,568,188	8
Assets > $10 Billion	2	1	40,972,581	58
TOTAL ASSETS	139	100	$71,174,300	100

- As of December 31, 2006, the breakdown of Louisiana **state-chartered banks** by asset size is as follows:

Asset Size	# of Banks	%	Total Assets *	%
Assets < $100 Million	54	43	$3,394,058	13
Assets $100 Million to $300 Million	49	39	8,221,448	30
Assets $300 Million to $500 Million	10	8	3,723,622	14
Assets $500 Million to $1 Billion	10	8	6,321,960	23
Assets $1 Billion to $10 Billion	2	2	5,568,188	20
TOTAL ASSETS	125	100	$27,229,276	100

- As of December 31, 2006, the breakdown of Louisiana-domiciled **national banks** by asset size is as follows:

Asset Size	# of Banks	%	Total Assets *	%
Assets < $100 Million	2	14	$74,195	0
Assets $100 Million to $300 Million	8	57	1,474,970	4
Assets $500 Million to $1 Billion	2	14	1,419,278	3
Assets > $10 Billion	2	14	40,972,581	93
TOTAL ASSETS	14	100	$43,945,024	100

* Thousands

LOUISIANA THRIFT INDUSTRY FINANCIAL CONDITION AS OF DECEMBER 31, 2006

As of December 31, 2006, there were 27 thrifts domiciled in Louisiana, made up of 18 federally-chartered savings associations, 7 state-chartered savings associations, and 2 state-chartered savings banks. During the fourth quarter of 2006, total assets in Louisiana thrifts decreased from $5.23 billion as of September 30, 2006, to $5.20 billion as of December 31, 2006, a decrease of $37 million or by 0.70 percent. During the fourth quarter, cash and loan increased while securities and Federal funds sold decreased. Total loans and leases increased from $3.30 billion to $3.35 billion, an increase of $29 million or by 0.89 percent. Cash increased from $287 million to $356 million, an increase of $69 million or by 23.86 percent. Total securities decreased from $1.42 billion to $1.26 billion, a decrease of $158 million or by 11.15 percent. Federal funds sold decreased from $21 million to $17 million, a decline of $4 million or by 19.36 percent.

During the fourth quarter of 2006, total assets in state-chartered and federally-chartered thrifts decreased by $19 million and by $18 million, respectively. During the fourth quarter, with the exception of securities, all major asset categories in state-chartered thrifts increased. Cash, loans and leases, cash, and Federal funds sold grew by $56 million, $17 million, and $50 thousand, respectively, while securities decreased by $89 million. During the fourth quarter, total loans and cash in federally-chartered thrifts increased by $39 million and $12 million, respectively, and securities and Federal funds sold decreased by $69 million and $4 million, respectively.

During the fourth quarter of 2006, on the liabilities side, total deposits in Louisiana thrifts increased from $3.95 billion to $3.96 billion, an increase of $8 million or by 0.19 percent. Borrowed money decreased from $572 million to $533 million, a decline of $39 million or by 6.80 percent, with FHLB advances comprising $571 million and $533 million, respectively, of the total. During the fourth quarter, total deposits in state-chartered decreased by $8 million and in federally-chartered thrifts increased by $16 million. During the fourth quarter, borrowed money decreased at state-chartered and federally-chartered thrifts by $4 million and by $35 million, respectively. FHLB advances and Federal funds sold decreased at state-chartered thrifts while FHLB advances decreased and Federal funds sold remained at $0 for federally-chartered thrifts.

The ratio of loans to deposits for all Louisiana thrifts increased during the fourth quarter of 2006, from 82.49 percent to 83.75 percent, as net loans and leases increased at a faster rate than total deposits. During the fourth quarter, the ratio of loans to deposits increased at state-chartered and federally-chartered thrifts from 67.93 percent to 69.75 percent and from 89.07 percent to 90.00 percent, respectively. The ratio increased at state-chartered thrift because of loan growth and deposit shrinkage, and increased at federally-chartered thrifts because loan growth outpaced deposit growth. The ratio of investments to total assets for all Louisiana thrifts decreased during the fourth quarter of 2006, from 27.06 percent to 24.21 percent. During the fourth quarter, the ratio of investments to total assets decreased in state-chartered and federally-chartered thrifts from 34.50 percent to 29.09 percent and from 23.93 percent to 22.17 percent, respectively.

Tier 1 (core) Capital increased during the fourth quarter of 2006, from $666 million as of September 30, 2006, to $669 million as of December 31, 2006, an increase of $3 million or by 0.45 percent. The Tier 1 (core) Capital ratio increased during the quarter, from 12.75 percent to 12.12.91 percent, as Tier 1 (core) Capital increased and average quarterly total assets declined. During the fourth quarter, Tier 1 (core) Capital increased by $1 million and $2 million in state-chartered and federally-chartered thrifts, respectively. As a result, the Tier 1 (core) Capital ratio increased in state-chartered and federally-chartered thrifts from 16.33 percent to 16.58 percent and from 11.26 percent to 11.38 percent, respectively

Problem assets decreased during the fourth quarter of 2006, from $20.67 million as of September 30, 2006, to $20.38 million as of December 31, 2006, a decrease of 1.37 percent. However, the ratio of problem assets to total assets remained at 0.34 percent at the end of the third and fourth quarters. During the fourth quarter, problem assets for state-chartered thrifts dropped by $250 thousand, or 5.81 percent, and the ratio of problem assets to total assets decreased from 0.28 percent to 0.26 percent. During the fourth quarter, problem assets for federally-chartered thrifts increased by $34 thousand, or 0.21 percent; however, the ratio of problem assets

increased from 0.36 percent to 0.37 percent.

Louisiana thrifts reported net charge-offs of $438 thousand in the fourth quarter of 2006, while reporting net recoveries of $6 thousand during the third quarter of 2006. The ratio of net chargeoffs to total loans for the fourth quarter increased from 0.00 percent as of September 30, 2006 (because of nominal level of net recoveries noted above in the third quarter), to 0.05 percent as of December 31, 2006. State-chartered thrifts reported net recoveries of $521 thousand in the fourth quarter compared to net charge-offs of $195 thousand in the third quarter. Federally-chartered thrifts reported net charge-offs of $959 thousand during the fourth quarter compared to net recoveries of $203 thousand in the third quarter. As a result of this, state-chartered and federally-chartered thrifts reported a decrease and an increase in the net charge-off ratio, respectively.

Loan loss reserves increased during the fourth quarter of 2006, from $35.76 million as of September 30, 2006, to $36.04 million as of December 31, 2006. However, the ratio of loan loss reserves to total loans remained at 1.08 percent from September 30, 2006 to December 31, 2006. For state-chartered and federally-chartered thrifts, the loan loss reserves increased by $562 thousand and decreased by $276 thousand, respectively. As a result, the ratios of reserves to total loans for state-chartered and federally-chartered thrifts increased and decreased slightly, respectively, at 1.90 percent and 0.79 percent. Loan loss provisions increased significantly during the fourth quarter, from a negative $1.79 million to $745 thousand. During the fourth quarter, loan loss provisions totaled $40 thousand for state-chartered thrifts, an increase over the negative provisions in the prior quarter. Loan loss provisions increased in federally-chartered thrifts during the fourth quarter from $148 thousand to $705 thousand.

Earnings for the fourth quarter of 2006 decreased substantially from the previous quarter, with higher interest expense, provisions, and operating expenses all contributing to the decline. Fourth quarter net income totaled $7.84 million, or an annualized return on assets of 0.60 percent, as compared to net income of $11.67 million, or an annualized return on assets of 0.89 percent for the previous quarter. During the fourth quarter of 2006, state-chartered and federally-chartered thrifts saw a significant and slight decline, respectively, from $3.99 million to $673 thousand and from $7.69 million to $7.17 million, respectively. Net income decreased at state-chartered thrifts primarily because of increases in interest expense and operating expenses and declined slightly at federally-chartered thrifts primarily because of increased provisions. The annualized return on assets for the fourth quarter for state-chartered thrifts decreased from 1.02 percent to 0.17 percent while declining from 0.84 percent to 0.78 percent for federally-chartered thrifts.

The industry's net interest margin declined nominally during the fourth quarter of 2006, going from 3.44 percent to 3.42 percent. The net interest margin for state-chartered and federally-chartered thrifts decreased from 3.57 percent to 3.41 percent and from 3.43 percent. The aggregate yield on earning assets increased from 5.96 percent to 6.03 percent, while cost of funds increased from 2.52 percent to 2.61 percent. The aggregate yield on earning assets for state-chartered and federally-chartered thrifts increased from 5.76 percent to 5.80 percent and from 6.05 percent to 6.13 percent, respectively, and the cost of funds for state-chartered and federally-chartered thrifts increased from 2.29 percent to 2.39 percent and from 2.62 percent to 2.71 percent, respectively.

Operating expenses as a percent of average assets increased during the fourth quarter of 2006, going from 2.68 percent to 2.85 percent, because of an increase in expenses and a decline in average assets. During the third quarter of 2006, the ratio of operating expenses to average assets increased at state-chartered and federally-chartered thrifts, going from 2.51 percent to 2.99 percent and from 2.75 percent to 2.80 percent, respectively, for the same reasons noted above. The industry showed a gain of $379 thousand on the sale of securities during the fourth quarter of 2006, as compared to a loss of $466 thousand during the previous quarter. State-chartered and federally-chartered thrifts reported net gains on securities of $1 thousand and $478 thousand, respectively, in the fourth quarter, versus $0 and net losses of $466 thousand, respectively in the prior quarter.

One state-chartered and two federally-chartered thrifts reported operating losses for the fourth quarter of 2006. The same state-chartered thrift also showed a year-to-date operating loss for 2006.

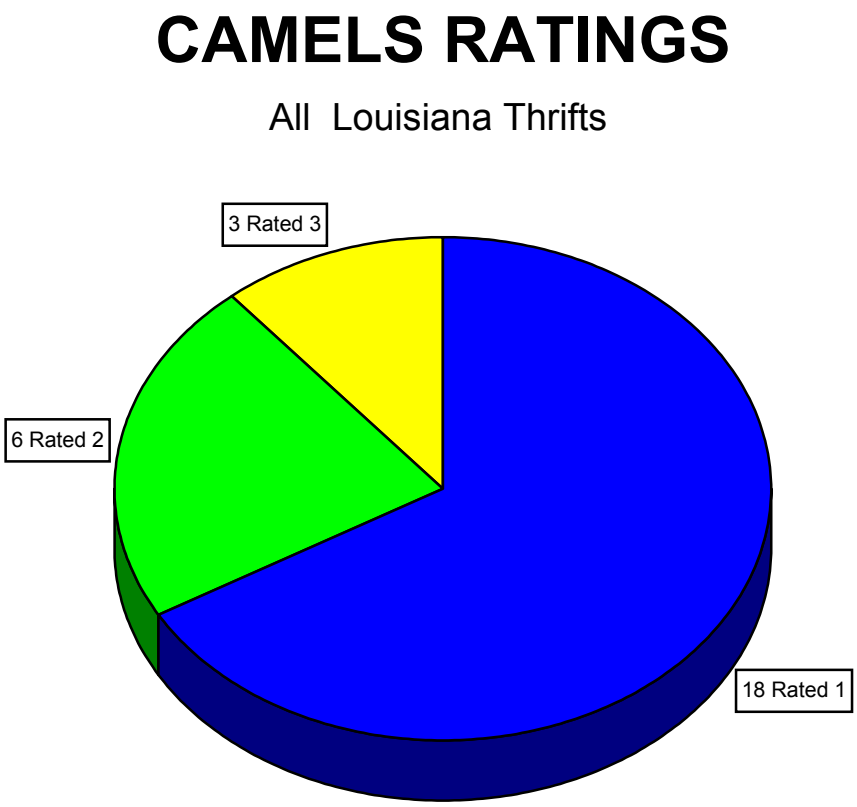

Figure 14

Based on the CAMELS rating scale in use by state and federal regulators, as shown in Figure 14 above, the financial condition of the Louisiana thrift industry remains sound (see page 27 for the rating definitions). As of December 31, 2006, approximately 67 percent of thrifts had a composite CAMELS rating of 1, an increase from the previous quarter. Approximately 22 percent of thrifts had a composite CAMELS rating of 2, a decrease from the previous quarter. Three thrifts, representing 11 percent, had a composite CAMELS rating of 3, the same as the previous quarter. There were no thrifts rated 4 or 5 as of June 30, 2006, the same as the previous quarter.

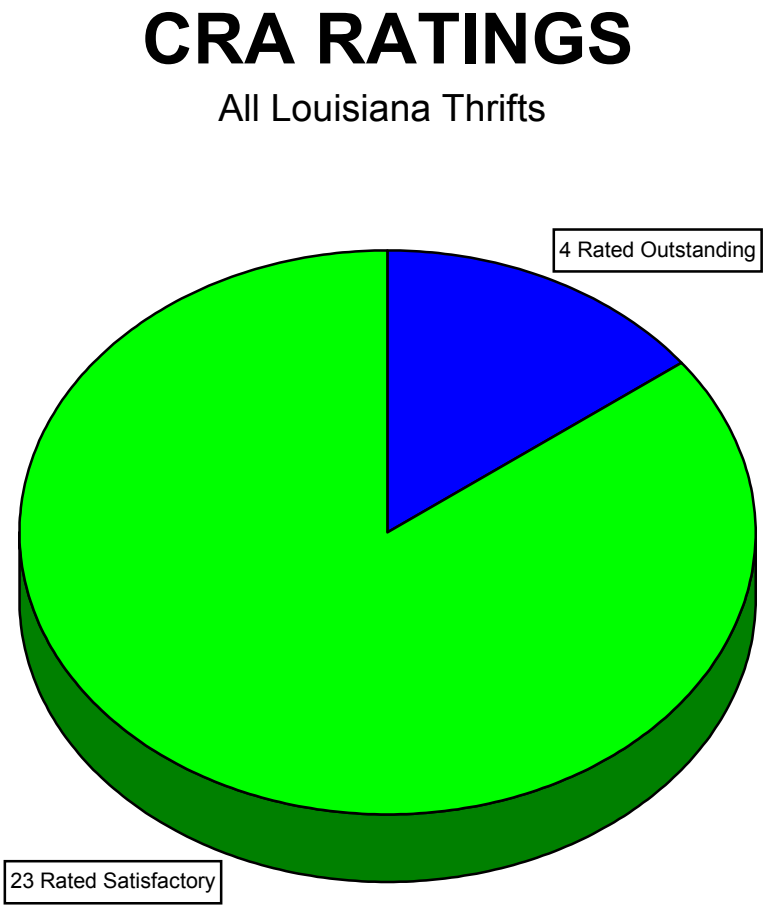

Figure 15

Louisiana thrifts continue to work aggressively to meet the challenges of the Community Reinvestment Act (CRA). As shown in Figure 15 above, all Louisiana thrifts were rated Satisfactory or better at their last CRA examination.

THRIFT SUMMARY AS OF DECEMBER 31, 2006

The overall financial condition of Louisiana thrifts remains sound at the present time. The fourth quarter of 2006 was characterized by a modest increase in Tier 1 (core) Capital, a slight decline in total assets, and a slight increase in deposits. The quarter also saw a decrease in borrowed money, primarily FHLB advances, with an increase in core deposits. Although remaining satisfactory, earnings declined because of increases in interest and non-interest expenses as well as provision expense. With the modest in Tier 1 (core) Capital and a decline in quarterly average assets, the Tier 1 (core) Capital ratio increased during the second quarter, and capital ratios remain well above regulatory minimums. During the quarter, nonperforming assets decreased slightly while the industry reported net charge-offs rather than the modest amount of net recoveries in the prior quarter.

THRIFT LAGNIAPPE

- As of December 31, 2006, the breakdown of all Louisiana-domiciled thrifts by asset size is as follows:

Asset Size	# of Thrifts	%	Total Assets *	%
Assets < $100 Million	12	45	$747,002	14
Assets $100 Million to $300 Million	10	37	1,613,246	31
Assets $300 Million to $500 Million	2	7	775,786	15
Assets $500 Million to $1 Billion	3	11	2,061,735	40
TOTAL ASSETS	27	100	$5,197,769	100

- As of December 31, 2006, the breakdown of Louisiana **state-chartered thrifts** by asset size is as follows:

Asset Size	# of Thrifts	%	Total Assets *	%
Assets < $100 Million	5	56	$251,491	16
Assets $100 Million to $300 Million	3	33	457,621	30
Assets $300 Million to $500 Million	0	0	-0-	0
Assets $500 Million to $1 Billion	1	11	820,694	54
TOTAL ASSETS	9	100	$1,529,806	100

- As of December 31, 2006, the breakdown of Louisiana-domiciled **federally-chartered thrifts** by asset size is as follows:

Asset Size	# of Thrifts	%	Total Assets *	%
Assets < $100 Million	7	39	$495,511	14
Assets $100 Million to $300 Million	7	39	1,155,625	31
Assets $300 Million to $500 Million	2	11	775,786	21
Assets $500 Million to $1 Billion	2	11	1,241,041	34
TOTAL ASSETS	18	100	$3,667,963	100

* Thousands

SUMMARY OF AFFECTS OF HURRICANES KATRINA AND RITA

It remains important to reflect upon how the industry came together and worked unselfishly to assist those institutions that suffered the affects of Hurricanes Katrina and Rita in August and September 2005. Stories, too numerous to mention, demonstrate how non-affected institutions shared their staff and facilities with affected institutions and assisted evacuees by cashing checks for non-customers with minimal identification, waiving non-customer fees, and establishing temporary accounts. Affected institutions assisted their customers by deferring loan payments, waiving late fees, increasing credit card limits, expediting the release of insurance checks, etc. In doing so, the industry was able to assist evacuees in their time of greatest need.

It is also important to point out that with the assistance of the Governor's Office, the Louisiana Bankers Association, the Community Bankers of Louisiana, State Police, and numerous state and local officials, many institutions were able to gain early access to their facilities located in the affected areas and retrieve important files and data in order to become operational and serve their customers.

You may also be interested in the status and/or condition of the institutions affected by Hurricanes Katrina and Rita. While a great percentage of the offices/branches have reopened, the consequences of the disasters may continue to linger with many serious challenges ahead for the entire industry. Despite dire predictions of failures and serious financial problems, a vast majority of the financial institutions located in the affected parishes remain in sound condition due, in large part, to management's ability to successfully implement their disaster recovery plans in a timely and efficient manner.

INSTITUTIONS AFFECTED BY HURRICANES KATRINA AND RITA

BANKS

There were 28 state-chartered and 3 national banks domiciled in the parishes significantly impacted by hurricanes Katrina and Rita. A further breakdown shows there were 14 state-chartered and 2 national banks affected by Katrina, and 14 state-chartered and 1 national banks affected by Rita. The Katrina parishes include: Jefferson, Orleans, Plaquemines, and St. Tammany. The Rita parishes include: Acadia, Calcasieu, Jefferson Davis, and Vermilion. There were no banks headquartered in the parishes of St. Bernard and Cameron, which were also significantly impacted by Katrina and Rita, respectively.

Total assets for these 31 banks increased from $47.80 billion as of September 30, 2006, to $48.28 billion as of December 31, 2006. Total deposits increased slightly from $36.65 billion as of September 30, 2006, to $36.66 billion as of December 31, 2006. While it should be noted that, with the large influx of government and insurance monies after hurricanes Katrina and Rita, total assets and total deposits grew by $1.58 billion and $0.31 billion, respectively, from a year ago. In addition, total assets have grown in all but one quarter in 2006; however, deposits have grown in the first and the fourth quarters of 2006 and shrunk in the second and third quarters of 2006.

Cash increased in the fourth quarter of 2006, breaking a downward trend from the previous three quarters, but is well below the level reported a year ago. Federal funds sold increased in the fourth quarter of 2006 and is well above the level reported a year ago; however, levels have fluctuated in that time period. In the fourth quarter of 2006, securities decreased for the second time in the last four quarters; however, they remain above the level reported a year ago. Total loans increased in the fourth quarter of 2006, the third straight quarterly increase, and are above the level reported a year ago.

Tier 1 (core) Capital increased from $3.37 billion as of September 30, 2006, to $3.53 billion as of December 31, 2006, with the Tier 1 (core) Capital ratio increasing from 7.77 percent as of September 30, 2006, to 7.95 percent as of December 31, 2006. Tier 1 Capital levels have increased in the last four quarters; however; the Tier 1 (core) Capital ratio has only increase for the last two quarters in 2006.

As of December 31, 2006, the annualized ROAA increased from the third quarter of 2006. Net income increased during the fourth quarter of 2006 primarily because of negative provisions for loan losses and gains on sales of securities. Net income, for the year ending December 31, 2006, for these 31 banks exceeded that for the 2005 year by $334 million, , as a result of high loan demand, a lower cost of funds, and negative provisions to the ALLL account, and the ROAA is more than double that of 2005 even with an increase in average assets.

Nonperforming loans increased from $212 million as of September 30, 2006, to $214 million as of December 31, 2006, and other real estate owned increased from $15 million to $20 million for these same times periods. Although the level of nonperforming assets increased, the ratio of nonperforming assets to total assets remained at 0.48 percent from September 30, 2006, to December 31, 2006, because of total asset growth.

Net charge-offs increased from $32 million during the third quarter of 2006 to $37 million during the fourth quarter of 2006, an increase of $5 million. With this increase, the annualized net charge-off ratio increased to 0.52 percent for the quarter ending December 31, 2006, an increase from the ratio of 0.46 percent for the quarter ending September 30, 2006. As of December 31, net charge-offs for the year total $121 million year-to-date, and the net charge-off ratio is 0.44 percent, which is well above the net charge-offs of $45 million and the net charge-off ratio of 0.17 percent reported for 2005.

THRIFTS

There were initially 8 state-chartered and 8 federally-chartered thrifts domiciled in the parishes significantly impacted by hurricanes Katrina and Rita as noted above. However, since one of the state-chartered thrifts merged in a non-storm related transaction, the following analysis only includes 15 thrifts domiciled in the affected parishes. A further breakdown shows there were 5 state-chartered and 7 federally-chartered thrifts affected by Katrina, and 2 state-chartered and 1 federally-chartered thrifts affected by Rita.

Total assets for these 15 thrifts declined from $2.92 billion as of September 30, 2006, to $2.86 billion as of December 31, 2006. Total deposits declined from $2.21 billion as of September 30, 2006, to $2.18 billion as of December 31, 2006. Total assets and total deposits have decreased during the last three quarters of 2006 and are below the levels reported at year-end 2005. During the fourth quarter of 2006, cash and total loans increased while securities and Federal funds sold declined. During the past year, cash and Federal Funds sold have fluctuated while securities have decline in the three of the four quarters, and all remain below the level reported a year ago. Total loans have steadily increased in all four quarters and are above levels reported a year ago.

Tier 1 (core) Capital has increased from $420 million as of September 30, 2006, to $422 million as of December 31, 2006, and the Tier 1 (core) Capital ratio increased from 14.45 percent as of September 30, 2006, to 14.82 percent as of December 31, 2006. The annualized ROAA has declined from 0.80 percent as of September 30, 2006, to 0.68 percent as of December 31, 2006. Net income for the fourth quarter of 2006 declined primarily because of increase in interest and non-interest expense as well as provision expense. However, net income for the year ending December 31, 2006, is still significantly higher than that reported for year-end 2005.

Nonperforming assets have declined from $6.3 million as of September 30, 2006, to $6.0 million as of December 31, 2006, with the decline attributable to other real estate owned. The ratio of nonperforming assets to total assets remained at 0.11 percent for September 30, 2006, and December 31, 2006, and is well below the ratio from a year ago. As of December 31, 2006, other real estate owned has declined slightly from the level reported a year ago while nonperforming loans decreased significantly.

These thrifts reported net recoveries of $90 thousand for the quarter ending September 30, 2006, and net charge-offs of $175 thousand for the quarter ending December 31, 2006. For the years ended December 31, 2006 and December 31, 2005, these thrifts reported net recoveries of $1.76 million and net charge-offs of $6.17

million, respectively.

LOUISIANA ECONOMY*

In late August and September 2005, the state of Louisiana was hit by two major hurricanes. The first storm made landfall in southeastern Louisiana, devastating several parishes in this area while impacting several others. The second storm made landfall in southwestern Louisiana, devastating several parishes in this area while further impacting some of the parishes affected by the first storm. The two major Metropolitan Statistical Areas (MSA) affected by the storms were the New Orleans-Metairie-Kenner (New Orleans) MSA and the Lake Charles MSA. Both MSAs suffered job losses following the storms; however, while the Lake Charles MSA has recovered most of its losses, the New Orleans MSA has not.

The Bureau of Labor Statistics (BLS) of the U.S. Department of Labor and the Louisiana Department of Labor provide seasonally-adjusted job numbers for 12 economic sectors. As shown below, for the 12 month period from December 31, 2005, all sectors, except for information and government, enjoyed job increases. Over that twelve month period, the government sector lost jobs while the information sector remained at the same level. All sectors showed month-to-month fluctuations with no sectors showing gains for all 12 months. However, while all of the other sectors saw either the same number or a higher number of monthly job gains, the government and information sectors showed more monthly job losses than monthly job gains.

As of December 31, the state had 1,798,300 non-farm jobs, an increase of 4,400 jobs since September 30, 2006, and 59,400 jobs since December 31, 2005. Fourth quarter job gains and losses the various economic sectors were as follow: leisure and hospitality (+3,700); education and health services (+2,000); other services (+1,500); professional and business services (+1,400); manufacturing (+300); natural resources and mining (+300); construction (+200); and information (-500). Fourth quarter job losses were noted in the following economic sectors: government (-2,700); trade, transportation, and utilities (-2,000); and financial activities (-800).

Employment growth or losses by sector over the last 12 months is as follows: professional and business services (+13,400); trade, transportation, and utilities (+13,000); leisure and hospitality (+11,500); construction (+10,900); education and health services (+8,400); manufacturing (+4,100); other services (+3,300); financial activities (+1,800); natural resources and mining (+1,500); information (no change); and government (-8,500). For the last 12 months, all eight Louisiana MSAs report job losses in at least one job sector reported for that MSA. However, all MSAs reported a mix of job gains and losses during that same time period.

The state's unemployment rate was 4.3 percent as of December 31, 2006, as compared to 3.7 percent as of September 30, 2006, and 6.4 percent as of December 31, 2005. During this twelve month period, the state's unemployment rate was above 5 percent for one month, between 4 and 5 percent for eight months, between 3 and 4 percent for two months, and at its lowest level ever at 2.9 percent in July 2006. The state's unemployment rate at December and September 2006, compare favorably with the three border states of Arkansas, Mississippi, and Texas at 5.4 and 5.4 percent, 6.9 and 6.8 percent, and 4.7 and 4.8 percent, respectively.

The U.S. unemployment rate was 4.5 percent as of December 31, 2006, as compared to 4.6 percent as of September 30, 2006, and 4.9 percent as of December 31, 2005. As of June 30, 2006, the Lafayette MSA had the lowest unemployment rate at 2.5 percent followed closely by the Houma-Bayou Cane-Thibodaux (Houma) MSA at 2.6 percent while the New Orleans MSA had the highest at 4.4 percent. Unemployment rates for the non-MSA parishes is not seasonally adjusted; however, for these parishes, Acadia and Jefferson Davis share the lowest unemployment rate of 2.8 percent while East Carroll has the highest unemployment rate of 8.6 percent.

The price of Light Louisiana Sweet Crude fluctuated greatly during 2006, reaching a high of $76 per barrel in July 2006, with the prices for the current year-end, previous quarter-end, and previous year-end as follows: $65 per barrel at December 31, 2006; $64 per barrel at September 30, 3006; and $60 per barrel at December 31, 2005. As of the writing of this report, the price has fallen to approximately $62 per barrel. The spike in oil

prices over the past 12 months is due to the following situations: limited excess production capacity; the weak value of the dollar; instability in the Middle East, including ongoing tensions with Iran and reduced production in Iraq; underlying fears about terrorism; political unrest in Nigeria and Venezuela, which discourages investment to expand production capacity; lack of investment to upgrade old infrastructure, which are badly in need of upgrade, for areas with known oil reserves, such as Iraq; weather-related affects on oil production as occurred in the Gulf of Mexico during Hurricanes Katrina and Rita; and rising demand in China, the United States, and developing countries.

As of the writing of this report, oil rig activity for Louisiana and the Gulf of Mexico is mixed. The Louisiana rig count has increased in a year's time from 182 to 209, an increase of nearly 15 percent. However, in this same time frame, the Gulf of Mexico rig count has decreased from 132 to 122, a decline of slightly above 15 percent. With the growth in Louisiana and the shrinkage in the Gulf of Mexico, the count has decreased by only 1 rig, a minimal percent decline.

Real estate markets remained strong and increased significantly during the fourth quarter of 2006 despite a continued increase in interest rates. Building permits totaled 7,445 during the quarter ended December 31, 2006, as compared to 5,678 for the quarter ended September 30, 2006, and 4,865 for the quarter ended December 31, 2005.

According to Freddie Mac, the monthly average rate for a 30-year fixed-rate mortgage decreased during the fourth quarter to 6.14 percent as of December 31, 2006, from 6.40 percent as of September 30, 2006, and has decreased in a year's time from 6.27 percent as of December 31, 2005. The monthly average rate for a 15-year fixed rate mortgage decreased during the fourth quarter to 5.88 percent as of December 31, 2006, from 6.08 percent as of September 30, 2006; however, this rate increased slightly in a year's time from 5.82 percent as of December 31, 2005. The Federal funds rate decreased during the fourth quarter to 5.17 percent as of December 31, 2006, from 5.34 percent as of September 30, 2006; however; the rate increased from 4.09 percent as of December 31, 2005. Prime rate remained the same at 8.25 percent as of December 31, 2006, and September 30, 2006, but increased from 7.25 percent as of December 31, 2005.

Information on Louisiana bankruptcy filings for the fourth quarter of 2006 is not available as of the writing of this report; therefore, information for the third quarter of 2006 is provided. Louisiana bankruptcy filings increased during the third quarter of 2006 for the second straight quarter. A total of 3,221 bankruptcy cases were filed during the quarter ended June 30, 2006, as compared 2,933 bankruptcy cases filed during the quarter ended June 30, 2006, and 8,829 for the quarter ended September 30, 2005. For the first nine months of 2006, 8,212 cases were filed with Chapter 13 filings leading the way followed by Chapter 7, Chapter 11, and Chapter 12 in descending order, respectively. For comparison, 25,629 cases were filed through the first nine months of 2005 with Chapter 7 filings leading the way followed by Chapter 13, Chapter 11, and Chapter 12 in descending order, respectively. A total of 36,742 cases were filed for the 2005 year with Chapter 7 and Chapter 13 filings comprising the largest two segments of the total cases.

Largely due to the effects of salt water from Hurricane Rita, rice acreage planted in 2006 was 350,000 acres, the lowest acreage on record in the state since the record keeping started in 1929, and represents a decrease of 180,000 acres or 34 percent from 2005. An estimated 345,000 acres of rice were harvested in 2006, a decline of 34 percent from 2005. Rice production is estimated to decrease by 35 percent from 2005 to 2006, and the statewide average yield per acre decreased by 80 pounds from the record yield in 2005.

Harvested acreage for sugarcane is estimated at 435,000 acres for 2006, a decrease of 20,000 acres or 4 percent from 2005. However, the net yield per acre is estimated at 27 tons per acre, an increase of 18 percent per acre, and total production is estimated at 11.75 million net tons, an increase of 13 percent from 2005. Cotton production is estimated to increase by 14 percent from 2005 to 2006 while estimated planted acreage, estimated harvested acreage, and yield per acre increased by 4 percent, 5 percent, and 8 percent, respectively. Planted and estimated harvested acreage for soybeans decreased slightly from 2005 to 2006. However, from 2005 to 2006,

soybean production is estimated to increase by 2 percent, and the yield per acre increased and set a new record yield for the state.

Corn production is estimated to decrease by 10 percent from 2005 to 2006 while planted and harvested acreage estimates both decreased by 12 percent; however, yield per acre increased slightly. Sorghum production is estimated to decline by 3 percent from 2005 to 2006 while harvested acreage decreased by 1 percent, yield per acre decreased by 3 percent after a record yield in 2005. Sweet potato production is estimated to decrease by 10 percent from 2005 to 2006 while estimated planted acreage remained the same, harvested acreage decreased by 21 percent, and the average yield per acre increased by 14 percent. Louisiana hay production is estimated to increase by 21 percent from 2005 to 2006 while harvested acreage and yield per acre increased by 11 percent and 8 percent, respectively.

Louisiana commercial red meat production decreased from 12 million pounds in 2005 to 8.8 million pounds in 2006, a decline of 27 percent. Louisiana's cattle inventory has increased an estimated 5 percent from a year ago, and cows that have calved also increased by an estimated 5 percent during this same time period. Commercial red meat production and cattle inventory in the US increased over this same time period.

In the last year, commercial catfish operations in Louisiana saw the following declines: the number of operations dropped by 8 or 29 percent; water surface acres used dropped by 300 acres or 5 percent; and, total sales dropped by $2.3 million or 15 percent. Of the eleven states with operations in 2006 and 2005, Louisiana ranks fourth for total sales and water surface acres for both years. For the number of operations, Louisiana ranks 11th in 2006 and 10th in 2005. Mississippi, Alabama, Arkansas, and Louisiana are the top four states in total sales and account for 94 percent of total sales in the U. S. Commercial catfish operations in the U. S. showed a similar decline in the water surface acres used with a 1 percent decline in the number of operations and only a nominal decline in total sales.

In his February 2007 Report, Advancing in the Aftermath IV: Tracking the Recovery from Katrina and Rita, the final in a series of four reports, Dr. Loren Scott, Professor Emeritus in Economics from Louisiana State University, cites a source that indicates the number of homes damaged and rendered no longer livable by both storms was seven times larger than any other natural disaster in U.S. history. He notes that lack of available housing remains a key problem, with a second source indicating that, with out major repairs, approximately 40 percent and 60 percent of homes damaged statewide and in the New Orleans MSA, respectively, are un-inhabitable without at least major repairs. He cites several sources that show insurance companies paid $2.4 billion in Rita claims to Louisiana policy holders and claims of $14.5 billion so far for Katrina, although the report does not specifically note this amount was for Louisiana only.

Based on information from the BLS, he notes that, from December 2004 to December 2006, the New Orleans MSA has suffered total job losses of 168,900 or 27.4 percent. These losses have ranged from a low of 13.2 percent to a high of 43.1 percent for all job sectors, with the exception of natural resources and mining, which showed a modest increase in the number of jobs in this time but a high percentage at 18.8 percent.

Dr. Scott notes that Marathon Oil will soon begin a $3.2 billion expansion of its refinery in Garyville, Louisiana, which is halfway between Baton Rouge and New Orleans. According to a November 2006 article in The Advocate, a daily Baton Rouge, Louisiana, newspaper, Marathon Oil is going to build a new plant that will result in 2,000 construction jobs and 250 new permanent jobs and process 180,000 barrels of oil per day. Dr. Scott notes several other large construction projects in and around New Orleans, such as a new 6-lane twin span over Lake Ponchatrain and the widening project for the Huey P. Long Bridge (both mentioned in a previous report), construction of a $1 billion LNG import terminal by Freeport McMoran Exploration, construction of a $60 million luxury condo project in the Warehouse District, and capacity expansion of Dow Chemical's Union Carbide facility in St. Charles Parish.

Dr. Scott also mentions a possible joint venture between LSU and the Veteran's Administration to build a new

hospital to replace Charity Hospital, which was closed because of damage from Katrina; however, recent newspaper articles have cast doubt on this joint venture taking place. Health care remains a serious issue in the New Orleans MSA. Prior to the storm, the 7 parishes in the New Orleans MSA had 54 hospitals, and 40 of these have reopened. Orleans Parish has seen 12 of its 23 hospitals reopen while the 2 hospitals in St. Bernard Parish remain closed. Jefferson Parish is the only other parish having a hospital that remains closed. Even though the number of hospitals open has increased, approximately 52 percent of the licensed beds are now available due to staffing problems, some of which can be tied to the effects of the storm. However, he notes that hospital employment has climbed steadily and is close to the pre-storm levels.

According to an October 2006 article in The Advocate, the rising cost of insurance on property is another issue closely related to housing; however, the rising insurance costs are not just in the parishes affected by Hurricane Katrina but also those affected by Hurricane Rita. A survey of a few insurance companies showed that rate increases have nearly doubled in most of the locations listed with one location showing a rate almost triple the previous rate.

**Sources: Information regarding Louisiana's Economy was obtained from Dr. Loren C. Scott, US Department of Labor, Louisiana Department of Labor, US Department of Agriculture, the Louisiana Department of Agriculture, and the Regional Economic Conditions section of the FDIC website.*

UNIFORM FINANCIAL INSTITUTIONS RATING SYSTEM (UFIRS)

Under the UFIRS, each financial institution is assigned a composite rating based on an evaluation of six essential components of an institution's financial condition and operations that address capital adequacy, asset quality, management capability, the level and quality level of earnings, liquidity adequacy, and sensitivity to market risk. The composite ratings, on a scale of 1 to 5, are defined as follows:

Composite 1

Financial institutions in this group are sound in every respect and generally have components rated 1 or 2. Any weaknesses are minor and can be handled in a routine manner by the board of directors and management. These financial institutions are the most capable of withstanding the vagaries of business conditions and are resistant to outside influences such as economic instability in their trade area. These financial institutions are in substantial compliance with laws and regulations. As a result, these financial institutions exhibit the strongest performance and risk management practices relative to the institution's size, complexity, and risk profile, and give no cause for supervisory concern.

Composite 2

Financial institutions in this group are fundamentally sound. For a financial institution to receive this rating, generally no component rating should be more severe than 3. Only moderate weaknesses are present and are well within the board of directors' and management's capabilities and willingness to correct. These financial institutions are stable and are capable of withstanding business fluctuations. These financial institutions are in substantial compliance with laws and regulations. Overall risk management practices are satisfactory relative to the institution's size, complexity, and risk profile. There are no material supervisory concerns and, as a result, the supervisory response is informal and limited.

Composite 3

Financial institutions in this group exhibit some degree of supervisory concern in one or more of the component areas. These financial institutions exhibit a combination of weaknesses that may range from moderate to severe; however, the magnitude of the deficiencies generally will not cause a component to be rated more severely than 4. Management may lack the ability or willingness to effectively address weaknesses within appropriate time frames. Financial institutions in this group generally are less capable of withstanding business fluctuations and are more vulnerable to outside influences than those institutions rated a composite 1 or 2. Additionally, these financial institutions may be in significant noncompliance with laws and regulations. Risk management practices may be less than satisfactory relative to the institution's size, complexity, and risk profile. These financial institutions require more than normal supervision, which may include formal or informal enforcement actions. Failure appears unlikely, however, given the overall strength and financial capacity of these institutions.

Composite 4

Financial institutions in this group generally exhibit unsafe and unsound practices or conditions. There are serious financial or managerial deficiencies that result in unsatisfactory performance. The problems range from severe to critically deficient. The weaknesses and problems are not being satisfactorily addressed or resolved by the board of directors and management. Financial institutions in this group generally are not capable of withstanding business fluctuations. There may be significant noncompliance with laws and regulations. Risk management practices are generally unacceptable relative to the institution's size, complexity, and risk profile. Close supervisory attention is required, which means, in most cases, formal enforcement action is necessary to address the problems. Institutions in this group pose a risk to the deposit insurance fund. Failure is a distinct possibility if the problems and weaknesses are not satisfactorily addressed and resolved.

Composite 5

Financial institutions in this group exhibit extremely unsafe and unsound practices or conditions; exhibit a critically deficient performance; often contain inadequate risk management practices relative to the institution's size, complexity, and risk profile; and are of the greatest supervisory concern. The volume and severity of problems are beyond management's ability or willingness to control or correct. Immediate outside financial or other assistance is needed in order for the financial institution to be viable. Ongoing supervisory attention is necessary. Institutions in this group pose a

significant risk to the deposit insurance fund and failure is highly probable.