

Internet Appendix for:

TRACING OUT CAPITAL FLOWS:

HOW FINANCIALLY INTEGRATED BANKS RESPOND TO NATURAL DISASTERS

We report four additional tables in this Internet Appendix. Table IA1 reports evidence linking bank loan losses to their exposure to natural disaster. We use *Call Report* data for this analysis, which is available at quarterly frequency. In these tests, we regress five measures of overall loan losses on a bank's exposure to a disaster ($Property-Exposure_{i,t} = (\text{Log Property Damage-in-shocked-counties}_{j,t}) * \text{Branch Share}_{i,j,t-1} / N_{i,t}$). The exposure variable is positive if the bank had a branch in a shocked county in any month during the quarter. We regress the quarterly loan loss metrics on four lags of a bank's exposure, and include bank and time fixed effects. The five measures of losses are: 1) Nonaccruals / Assets; 2) Loan & Lease Loss Provisions / Assets; 3) Loans 30+ Days Past Due / Assets; 4) Loans 90+ Days Past Due / Assets; and, 5) Loan Charge-Offs / Assets. As shown in Table IA1, only Nonaccruals / Assets increase when a bank is exposed to a natural disaster.

Table IA2 tests for the robustness of our baseline result from Table 4 (column 1) of the paper to controlling for Nonaccruals/ Assets. Adding this variable has almost no effect on our results.

Table IA3 tests how our main result changes when we drop counties that are contiguous to those experiencing a natural disaster.¹ This test accounts for possible spillovers of elevated

¹ We used data from Allan Collard-Wexler's website to identify contiguous counties. See <http://sites.duke.edu/collardwexler/data/>.

loan demand in areas close to the center of disasters. We find somewhat larger magnitudes when we drop these data.

Table IA4 attempts to make our data structure more transparent with a simple (made up) example. The table illustrates the bank-county-month level panel dataset for one example bank during the years 2002-2004. In the example, the bank has been exposed to a shock in another of its counties, which we set equal to 0.0069 (the mean of *Disaster Lending*, conditional on positive exposure to a disaster – see Table 2). The hypothetical shock occurs in September of 2002. *Disaster lending* equals the change in total mortgage credit in each bank-county-month for 12 consecutive months after the disaster, dividing by the number of total markets in which the bank has branches, and normalizing by the banks total mortgage lending in that month. (In a real example, this value would change from month to month based on the actual lending that occurred in the shocked area.)