



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC REPORTS BANK EARNINGS REMAINED NEAR RECORD LEVELS, WHILE SAVINGS INSTITUTIONS' PROFITS HIT A NEW HIGH IN THE THIRD QUARTER

Commercial banks' domestic operations continued to demonstrate earnings strength in the third quarter of 2002, as the industry posted its second-best quarterly net income ever, remaining on pace to set a full-year earnings record. Third-quarter net income of \$23.3 billion was slightly below the record \$23.4 billion banks earned in the second quarter, but it represented a 34.4-percent improvement from their net income in the third quarter of 2001. The year-to-year improvement was driven by higher net interest income and higher noninterest income. For the first three quarters of 2002, bank earnings of \$68.5 billion were 23 percent higher than in 2001. The industry's return on average assets (ROA), a basic yardstick of earnings performance, averaged 1.37 percent in both the third quarter and in the first three quarters of the year. A year ago, the industry ROA was 1.08 percent in the third quarter and 1.17 percent for the first three quarters.

Insured savings institutions reported record-high earnings for the second consecutive quarter. The industry's net income almost reached the \$4-billion mark for the first time ever, falling short by just \$29 million. This was still \$94.3 million more than thrifts earned in the record-setting second quarter, and \$511 million more than they earned in the third quarter of 2001. The average ROA for savings institutions in the third quarter was a record 1.20 percent, slightly above the previous record of 1.19 percent reported in the second quarter.

The reserve ratio of the Bank Insurance Fund (BIF) - the ratio of the fund balance to the deposits insured by the fund - remained at 1.25 percent at the end of the third quarter. An increase in the loss reserve during the quarter was offset by unrealized gains in the BIF's available-for-sale securities portfolio. The BIF balance increased by \$196 million (0.6 percent), largely from interest income from its securities portfolio. The reserve ratio of the Savings Association Insurance Fund (SAIF) increased from 1.38 percent to 1.39 percent during the third quarter, the second consecutive quarter that it has improved.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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Like the BIF, the SAIF balance received a boost from unrealized securities gains, as well as from lower estimated losses for actual and anticipated thrift failures.

Preliminary results for the third quarter and first three quarters of 2002 for the 7,933 FDIC-insured commercial banks and 1,482 FDIC-insured savings institutions are presented in the FDIC's latest Quarterly Banking Profile. The Profile offers the earliest comprehensive look at industry performance, based upon quarterly reports of condition and income submitted by all FDIC-insured banks and thrifts.

Coinciding with the release of third quarter industry results, the FDIC today made available individual institution data for the quarter in its Institution Directory (ID) System, an interactive online database that provides analytical performance and condition statistics for each of the 9,415 commercial banks and savings institutions it insures. The ID System and the Quarterly Banking Profile can be accessed at the FDIC's website, www.fdic.gov.