

FOR IMMEDIATE RELEASE August 29, 2002

Media Contact: Phil Battey (202) 898-6993

## BANKING INDUSTRY REPORTS RECORD EARNINGS

Commercial banks had record earnings of \$23.4 billion in the second quarter, surpassing the previous record set three months earlier by 7.8 percent, the Federal Deposit Insurance Corporation reported today. A basic yardstick of earnings performance-return on assets (ROA)-rose to 1.41 percent, the second highest level recorded. For the first time in two years, average net interest margins-the difference between the average yield on loans and other investments and the average cost of deposits and other liabilities-at smaller banks increased. Despite problems with commercial and industrial (C&I) loans, banks have seen continued strength in consumer lending.

Noncurrent loans would have declined in the quarter if not for a jump in noncurrent C&I loans to foreign borrowers. For the first time in four years, noncurrent loans to domestic C&I borrowers decreased.

Lower interest rates not only helped banks' net interest margins, but they stimulate mortgage lending by encouraging homeowners to refinance their mortgages. All lines of mortgage lending and investing were up over the past 12 months.

The number of commercial banks insured by the FDIC continue to decline, falling to just below 8,000. The number of banks on the FDIC's "problem list" increased, though. As of June 30, there were 115 banks on the list, up from 102 in the previous quarter. The assets of these problem banks were down slightly from \$36.7 billion to \$35.9 billion. In addition, only one commercial bank failed in the quarter, 66 were absorbed in mergers with other institutions, and 26 new banks filed financial reports during the second quarter.

###

## Attachments:

The FDIC Prelimary Bank Earnings Report Opening Remarks for PBER Press Briefing



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.

FDIC press releases and other information are available on the Internet at <a href="www.fdic.gov">www.fdic.gov</a>, by subscription electronically (go to <a href="www.fdic.gov/about/subscriptions/index.html">www.fdic.gov/about/subscriptions/index.html</a>) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-92-2002