PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC-INSURED INSTITUTIONS REPORT RECORD EARNINGS IN THE FIRST QUARTER

FOR IMMEDIATE RELEASE

Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) earned a record $29.4 billion in the first quarter of 2003, surpassing their previous quarterly record by more than $2 billion. The numbers are contained in the FDIC's Quarterly Banking Profile, which was released today.

"Should the economic recovery strengthen in the second half of the year, prospects for industry earnings will remain positive," said Richard Brown, FDIC Chief Economist. "Commercial loan performance improved again for the second straight quarter and this is a trend that should continue in the foreseeable future."

Lower expenses for bad loans were a key factor in the industry's earnings improvement. Provisions for loan losses were $2.2 billion (19.9 percent) lower than a year ago. Another source of earnings strength was gains on sales of securities. These sales generated $3.7 billion in pre-tax gains during the first quarter, compared to $1.3 billion in gains a year ago.

An improving trend in asset quality that began in the fourth quarter of last year continued through the first three months of 2003. Loans to domestic commercial and industrial (C&I) borrowers accounted for most of the improvement. Noncurrent loans - those that were 90 days or more past due or in nonaccrual status - declined by $1.7 billion (2.5 percent) during the quarter, with noncurrent C&I loans declining by $1.3 billion.

Continued strength in the housing market, as well as mortgage refinancing activity stimulated by low interest rates, caused a sizable increase in the industry's mortgage-related assets in the first quarter. These assets - residential mortgage loans, mortgage-backed securities, and home equity loans - grew by $119.8 billion (4.5 percent), accounting for more than 70 percent of all asset growth at insured institutions.

Return on assets (ROA) also reached a record high in the first quarter. This basic yardstick of profitability rose to 1.38 percent, slightly above the previous record of 1.37 percent reached in the second quarter of last year. In the first quarter of last year, insured banks and thrifts had an ROA of 1.29 percent. Almost two out of every three institutions - 61 percent - reported higher earnings compared to the first quarter of last year.

The FDIC's Bank Insurance Fund (BIF) ended the quarter with a reserve ratio of 1.28 percent, up from 1.27 percent at the end of 2002. The reserve ratio of the Savings Association Insurance Fund (SAIF) remained unchanged at 1.37 percent.

Attachment: Quarterly Banking Profile