FDIC State Profile

Spring 2004

Florida

Florida's recovery is among the strongest in the nation.

- Although still well below the levels enjoyed during the late 1990s, Florida employment growth in fourth quarter 2003, at 1.8 percent, was ranked third highest in the nation (See Chart 1). Labor market conditions remain tighter than the national average but the decline in jobless rates during the latter half of 2003 may, in part, be the result of a shrinking labor force.

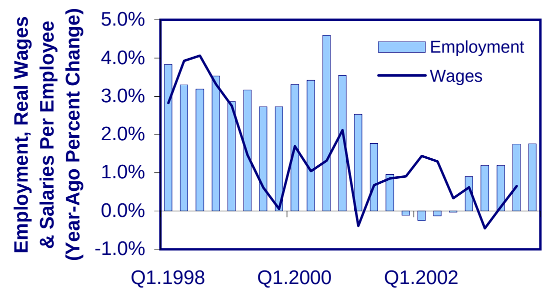
- Economic performance across Florida counties varies. Much of the Florida Panhandle and southwest counties have the tightest labor markets (See Map 1). Several rural counties, as well as Panama City, Lakeland, Miami, and portions of the Daytona Beach and Ft. Pierce metropolitan areas have jobless rates in excess of the national average. A shrinking labor force in a number of areas may have masked signs of further labor market weakness.

- Florida's critical tourism industry continues to slowly recover. In fourth quarter 2003, visitorship to the state posted a 2.5 percent increase from the previous year. Tourism benefited from the relative weakness of the U.S. dollar, which made excursions to the U.S. more affordable, particularly for Europeans. Performance among the major markets within the state remained mixed, however.

- Low interest rates, comparatively strong job growth, and a harsh winter in the northeastern portion of the nation have contributed to continued growth in Florida's residential real estate markets. In early 2004, home sales were up statewide strongly, especially in Ft. Pierce, Melbourne, Orlando, Punta Gorda, and Sarasota compared to the decrease nationally.

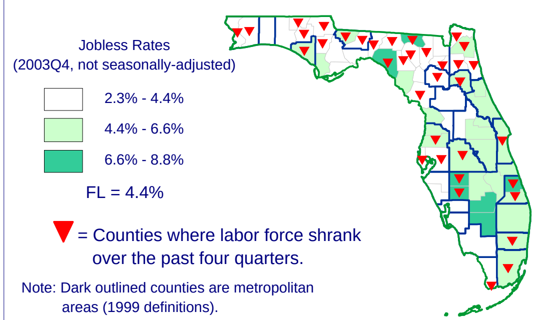
- Rapid home price appreciation in recent years and rising scarcity of developable land may be adversely affecting affordability in several Florida markets. As a result, demand remains strongest for homes priced under $200,000 and condo development has increased. Anecdotal reports point toward rising speculative activity, particularly in southeast coastal condo markets. Decreasing housing affordability, likewise, may have spurred the state's multi-family markets.

Chart 1: Employment in Florida Continues to Rise



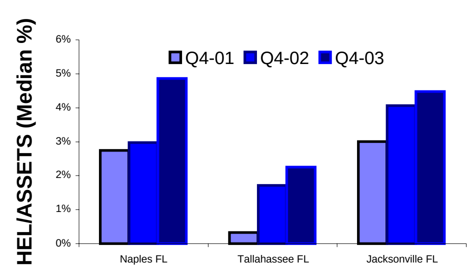
Source: Bureau of Labor Statistics, Bureau of Economic Analysis (Haver Analytics)

Map 1: Labor Force Declines Have Occurred in Several Florida Counties



Note: Dark outlined counties are metropolitan areas (1999 definitions).
Source: Bureau of Labor Statistics/Haver Analytics

Chart 2: Home Equity Lending is picking up in Several MSAs



Source: Bank Call Reports, December 31st.

- Passage of the Free Trade Area of the Americas (FTAA) will likely have a positive impact for the state, which already relies heavily on international business. Miami is vying to host the headquarters of the FTAA, which could result in thousands of spinoff jobs and attract thousands of visitors. It also could result in a windfall for real estate and tourism, particularly in the southern half of the state.

Banking performance in Florida remained healthy.

- Net income at Florida commercial banks reached a record high for the year ending December 31, 2003. Nevertheless, profitability ratios were mixed at these institutions as the median return on asset ratio (ROA) was stable at 0.81 percent, but remained below the national median of 1.1 percent. Furthermore, net interest margins (NIM) slipped 28 basis points year-over-year to 4 percent and remained mostly in line with the national median. Improved efficiencies and lower provision expenses were not enough to offset declines in both net and non-interest incomes. Only 54 percent (141 banks) of Florida's commercial banks reported a positive change in ROA, with roughly 31 percent (81 banks) reporting a positive change in NIM over the 12-month period ending December 31, 2003.

- Banks headquartered in Florida have been big issuers of nonresidential RE loans with 6 out of the top 25 trending markets nationally being located in the state. The Fort Lauderdale, Tallahassee, and Fort Walton Beach MSAs are among the top 10 markets nationally in terms of year-over-year growth. While overall past-due and nonaccrual loan levels have improved, some weakness has developed in the noncurrent portion of the CRE loan portfolio in the Tallahassee and Fort Walton Beach MSAs.

- Growth in the construction and development (C&D) portion of the CRE loan portfolio was also strong with 5 out of the top 25 trending C&D markets located in the state. These markets include the Fort Walton, Sarasota, Naples, Jacksonville, and Tallahassee MSAs. Typically, the majority of these loans have been for residential RE construction, and they have performed well due to the resiliency of the state's housing markets.

- Significant home price appreciation has also led to an increase in home equity lending (HEL) statewide. Growth in this loan category was driven primarily by banks located in the Naples and Tallahassee MSAs, where HELs as a percentage of assets has risen around 2 percentage points since December 31, 2001 (See Chart 2). Generally, weak wage and salary growth in the state may contribute to borrowers using their home equity to support consumption. If so, prolonged weakness in labor markets and higher interest rates could impair debt service capacity should the rise in home values slow.

- Although below the national median of 9.1 percent, Tier 1 capital levels at Florida banks remained solid at 8.5 percent during the 12-months ending December 31, 2003. Moreover, reserve levels of roughly 3 times noncurrent loans may be misleading given the rapid pace of certain loan segments throughout the state. Nevertheless, a solid capital base should be able to absorb any sudden spike in delinquency and charge-off levels should they occur.

- As a result of the 2001 national recession, the number of new bank charters in Florida declined in 2002. In 2003, however, start-up activity increased by 7 to 13 de novos. Through February 2004, two more banks had been chartered with an additional six pending. Continued recovery in economic growth may contribute to increasing numbers of start-ups in the future.

Florida at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	304	301	305	311	319
Total Assets (in thousands)	110,677,974	99,937,002	88,803,680	82,619,342	106,862,316
New Institutions (# < 3 years)	30	35	71	76	71
New Institutions (# < 9 years)	119	113	111	106	96

Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	8.54	8.50	8.66	8.98	9.05

Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	0.83%	1.07%	1.17%	1.12%	0.98%
Past-Due and Nonaccrual >= 5%	16	16	35	28	13
ALLL/Total Loans (median %)	1.15%	1.20%	1.16%	1.16%	1.18%
ALLL/Noncurrent Loans (median multiple)	2.57	2.28	2.16	1.66	2.33
Net Loan Losses/Loans (aggregate)	0.18%	0.28%	0.27%	0.31%	0.37%

Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	42	50	61	79	86
Percent Unprofitable	13.82%	16.61%	20.00%	25.40%	26.96%
Return on Assets (median %)	0.82	0.83	0.70	0.72	0.79
25th Percentile	0.45	0.36	0.19	-0.01	-0.13
Net Interest Margin (median %)	3.97%	4.21%	4.12%	4.43%	4.29%
Yield on Earning Assets (median)	5.68%	6.51%	7.72%	8.37%	7.63%
Cost of Funding Earning Assets (median)	1.64%	2.28%	3.57%	3.91%	3.30%
Provisions to Avg. Assets (median)	0.19%	0.25%	0.23%	0.23%	0.20%
Noninterest Income to Avg. Assets (median)	0.72%	0.75%	0.72%	0.72%	0.76%
Overhead to Avg. Assets (median)	3.15%	3.26%	3.43%	3.61%	3.76%

Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	83.34%	81.47%	82.06%	79.23%	79.02%
Loans to Assets (median %)	69.94%	69.28%	69.23%	67.28%	65.76%
Brokered Deposits (# of Institutions)	86	71	60	40	32
Bro. Deps./Assets (median for above inst.)	4.88%	5.32%	4.20%	3.44%	1.64%
Noncore Funding to Assets (median)	21.47%	21.28%	20.50%	19.35%	17.26%
Core Funding to Assets (median)	67.88%	68.09%	67.72%	68.40%	69.68%

Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	162	157	155	150	146
National	68	71	75	82	89
State Member	32	32	30	33	37
S&L	2	3	4	3	4
Savings Bank	40	38	41	43	43
Stock and Mutual SB	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Miami FL PMSA	45	35,989,795	14.80%	32.52%
No MSA	42	7,563,623	13.82%	6.83%
Tampa-St Pete-Clearwater FL	35	9,347,979	11.51%	8.45%
Orlando FL	27	9,641,785	8.88%	8.71%
Ft Lauderdale FL PMSA	20	7,360,334	6.58%	6.65%
Sarasota-Bradenton FL	19	3,279,702	6.25%	2.96%
W Palm Beach-Boca Raton FL	18	6,188,930	5.92%	5.59%
Jacksonville FL	13	3,526,423	4.28%	3.19%
Ft Myers-Cape Coral FL	10	2,437,351	3.29%	2.20%
Naples FL	10	6,133,113	3.29%	5.54%
Daytona Beach FL	9	742,345	2.96%	0.67%
Lakeland-Winter Haven FL	7	1,994,929	2.30%	1.80%
Pensacola FL	7	1,434,566	2.30%	1.30%