FREMONT GENERAL CORP
Form 10-Q
May 15, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from __________ to __________

COMMISSION FILE NUMBER 1-8007

FREMONT GENERAL CORPORATION
(Exact name of registrant as specified in its charter)

NEVADA	95-2815260
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2020 Santa Monica Blvd.
Santa Monica, California 90404
(Address of principal executive offices)
(Zip Code)

(310) 315-5500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No _

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No _

Indicate the number of shares outstanding of each of the issuer's classes of common stock:

CLASS	SHARES OUTSTANDING APRIL 30, 2003
Common Stock, $1.00 par value	75,734,000

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FREMONT GENERAL CORPORATION

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PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

FREMONT GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

MARCH 31,

	2003
	(UNAUDITED) (THOUSANDS OF
ASSETS	
Cash and cash equivalents	$ 184,554
Investment securities available for sale at fair value	423,026
Loans receivable	3,944,305
Loans held for sale	1,801,560
Residual interests in securitized loans at fair value	-
Accrued interest receivable	27,536
Deferred income taxes	269,801
Other assets	67,278
Total Assets	$ 6,718,060
LIABILITIES	
Deposits:	
Savings accounts	$ 1,000,276
Money market deposit accounts	308,103
Certificates of deposit:	
Under $100,000	2,344,223
$100,000 and over	1,347,932
	5,000,534
Federal Home Loan Bank ("FHLB") advances	725,000
Senior Notes due 2004	67,273
Senior Notes due 2009	188,741
Liquid Yield Option Notes due 2013 ("LYONs")	3,128
Other liabilities	117,361
Liability to discontinued insurance operations	71,409
Total Liabilities	6,173,446
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Company junior subordinated debentures ("Preferred Securities")	100,000
STOCKHOLDERS' EQUITY	
Common stock, par value $1 per share-- Authorized: 150,000,000 shares; Issued and outstanding: (2003 - 75,734,000 and 2002 - 75,397,000)	75,734
Additional paid-in capital	290,851
Retained earnings	123,913
Deferred compensation	(45,924)
Accumulated other comprehensive income	40
Total Stockholders' Equity	444,614
Total Liabilities and Stockholders' Equity	$ 6,718,060

See notes to consolidated financial statements.

FREMONT GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS E[NDED] MARCH 31,	
	2003	
	(THOUSANDS OF DO[LLARS] EXCEPT PER SHARE	
INTEREST INCOME:		
Interest and fee income on loans	$ 118,636	$
Interest income on investment securities	2,497	
	121,133	
INTEREST EXPENSE:		
Deposits	33,371	
FHLB advances	4,847	
Senior Notes, LYONs, Preferred Securities and other	7,710	
	45,928	
Net interest income	75,205	
Provision for loan losses	22,920	
Net interest income after provision for loan losses	52,285	
NON-INTEREST INCOME:		
Net gain on:		
Sales of residential real estate loans	37,732	
Sale of residual interests in securitizations	17,503	
Sales of other whole loans	4	
Extinguishment of debt	93	
Other	5,922	
	61,254	
NON-INTEREST EXPENSE:		
Compensation	25,234	
Occupancy	2,857	
Expenses and losses on real estate owned	2,584	
Other	12,038	
	42,713	
Income before income taxes	70,826	
Income tax expense	29,250	
Net income	$ 41,576	$

PER SHARE DATA:	
Net income:	
Basic	$ 0.60
Diluted	0.56
CASH DIVIDENDS	0.03
WEIGHTED AVERAGE SHARES (IN THOUSANDS):	
Basic	68,962
Diluted	74,590

See notes to consolidated financial statements.

FREMONT GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTH MARCH
	2003
	(THOUSANDS OF
OPERATING ACTIVITIES	
Net income	$ 41,576
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for loan losses	22,920
Net decrease in residual interests in securitized loans	22,749
Extinguishment of Senior Notes	(4,316)
Deferred income tax expense	26,920
Depreciation and amortization	4,398
Change in other assets and liabilities	10,767
Net cash provided by operating activities	125,014
INVESTING ACTIVITIES	
Loan originations and advances funded	(3,068,525)
Receipts from repayments and bulk sales of loans	2,935,749
Investment securities available for sale:	
Purchases	(350,001)
Maturities or repayments	310,166
Cash contributions to discontinued insurance operations	(3,313)
Purchases of property and equipment	(4,351)
Net cash used in investing activities	(180,275)

FINANCING ACTIVITIES	
Deposits accepted, net of repayments	454,811
FHLB advances, net of repayments	(450,000)
Dividends paid	(1,490)
Decrease (increase) in deferred compensation plans	118
Net cash provided by financing activities	3,439
Decrease in cash and cash equivalents	(51,822)
Cash and cash equivalents at beginning of year	236,376
Cash and cash equivalents at end of year	$ 184,554

See notes to consolidated financial statements

FREMONT GENERAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ON FORM 10-Q
(UNAUDITED)

NOTE A - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

These statements have been prepared in accordance with accounting principles generally accepted in the United States and, accordingly, adjustments (consisting of normal accruals) have been made as management considers necessary for fair presentations. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. Certain 2002 amounts have been reclassified to conform to the 2003 presentation.

NOTE B - LOANS RECEIVABLE

Loans receivable consist of commercial and residential real estate loans and syndicated commercial loans. Commercial real estate loans, which are primarily variable rate, represent loans secured primarily by first mortgages on properties such as office, retail, industrial, lodging, multi-family and commercial mixed-use properties. Commercial real estate loans are reported net of participations to other financial institutions or investors in the amount of $115.1 million and $93.2 million as of March 31, 2003 and December 31, 2002, respectively. Residential real estate loans have loan terms for up to thirty years and are generally secured by first deeds of trust on single-family residences. Syndicated commercial loans are commercial variable rate senior loans and are generally secured by substantially all of the assets of the borrower.

Loans held for sale consist solely of residential real estate loans which are aggregated prior to their sale and are carried at the lower of aggregate amortized cost or market.

NOTE C - DEPOSITS AND FHLB ADVANCES

Certificates of deposit as of March 31, 2003 are detailed by maturity and rates as follows (thousands of dollars):

AMOUNT	MATURING BY MARCH 31,	WEIGHTED AVERAGE RATE
$ 3,323,988	2004	2.39%
219,439	2005	4.22%
65,473	2006	5.34%
32,897	2007	5.65%
2,201	2008	4.73%
48,157	2009	5.38%
$ 3,692,155		

Of the total certificates of deposit at March 31, 2003, $1,104.9 million were obtained through brokers.

The Federal Home Loan Bank ("FHLB") advances are collateralized by loans pledged to the FHLB. The following table details the FHLB amounts outstanding at March 31, 2003 by maturities and rates (thousands of dollars):

AMOUNT	MATURING BY MARCH 31,	WEIGHTED AVERAGE RATE
$ 340,000	2004	2.20%
385,000	2005	3.21%
$ 725,000		

NOTE D - DISCONTINUED INSURANCE OPERATIONS

In December 2002, the Company accrued a charge for all of the potential future cash contributions to its discontinued workers' compensation, reinsurance and life insurance businesses. These future contributions include both mandatory and contingent capital contributions as per the Company's July 2002 agreement with the California Department of Insurance ("DOI"). At December 31, 2002, the total amount of these future contributions was $79.5 million ($74.5 million present value), payable ratably at $13.25 million annually over a period of six years. The $79.5 million commitment represents the Company's maximum amount of liability for cash contributions to its discontinued insurance operations under the agreement with the DOI. At March 31 2003, the remaining amount of these future cash contributions is $76.2 million ($71.4 million present value).

The assets and liabilities of the discontinued insurance operations are excluded from the accompanying Consolidated Balance Sheet because the Company no longer has effective control of these operations whose activities are done at the consent and under the direction of the DOI.

NOTE E - GAIN ON EXTINGUISHMENT OF DEBT

The Company extinguished debt that resulted in gains that are included in non-interest income in the accompanying Consolidated Statement of Operations. Prior period gains have been reclassified from an extraordinary item to conform to this new presentation. The gains are summarized in the following table:

	THREE MONTHS END MARCH 31,	
	2003	200
	(THOUSANDS OF DOLL	
7.70% SENIOR NOTES DUE 2004:		
Par Value of debt extinguished	$ 4,316	$ 5,9
Pre-tax gain on extinguishment	93	8

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NOTE F - TOTAL COMPREHENSIVE INCOME

The components of total comprehensive income are summarized in the following table:

	THREE MONTHS E MARCH 31	
	2003	
	(THOUSANDS OF DO	
Net income	$ 41,576	$
Other comprehensive loss:		
Net change in unrealized gains during the period	(41)	
Less deferred income tax benefit	18	
Other comprehensive loss	(23)	
Total comprehensive income	$ 41,553	$

NOTE G - OPERATIONS BY REPORTABLE SEGMENT

The Company's business is engaged in four reportable segments: commercial real estate; residential real estate; syndicated commercial and retail banking. Additionally, there are certain corporate revenues and expenses, comprised primarily of investment income, interest expense and certain general and administrative expenses, that are not allocated to the reportable segments.

The following data for the three months ended March 31, 2003 and 2002 provide certain information related to the reportable segment disclosure. Intersegment eliminations relate to the credit allocated to retail banking for operating funds provided to the other three reportable segments.

	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	SYNDICATED COMMERCIAL	RETAIL BANKING	CORPOR
			(THOUSANDS OF DOLLARS)		
Three months ended March 31, 2003					
Total revenues	$ 76,495	$ 103,134	$ 11	$ 37,955	$ 2,
Net interest income	47,298	28,930	(168)	4,436	(5,
Income before income taxes	10,317	77,685	2,230	(92)	(19,
Three months ended March 31, 2002					
Total revenues	$ 71,973	$ 43,837	$ 1,407	$ 41,453	$ 2,
Net interest income	38,219	16,029	673	3,683	(6,
Income before income taxes	19,494	24,201	(950)	(91)	(12,

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NOTE H - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2003 and 2002:

	THREE MONTHS EN MARCH 31,	
	2003	2
	(IN THOUSANDS, E PER SHARE DAT	
Net income (numerator for basic earnings per share)	$ 41,576	$ 1
Effect of dilutive securities:		

LYONs	23	
Net income available to common stockholders after assumed conversions (numerator for diluted earnings per share)	$ 41,599	$ 1
Weighted-average shares (denominator for basic earnings per share)	68,962	6
Effect of dilutive securities:		
Restricted stock	5,423	
LYONs	205	
Dilutive potential common shares	5,628	
Adjusted weighted-average shares and assumed conversions (denominator for diluted earnings per share)	74,590	7
Basic earnings per share	$ 0.60	$
Diluted earnings per share	$ 0.56	$

NOTE I - NEW ACCOUNTING STANDARDS

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" that amends SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 148 provides alternative methods of transition to the fair value method of accounting for stock-based employee compensation. The statement also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The Company believes that the impact of this new standard on the Company's financial position and results of operations will be consistent with the SFAS No. 123 pro forma disclosure.

NOTE J - SUBSEQUENT EVENT

On May 7, 2003, the Company repurchased an additional $45.0 million in par value of its 7.7% senior notes outstanding. These notes were repurchased at par value and the outstanding par value of the 7.7% senior notes due in 2004 has now been reduced to $22.4 million. The Company has extinguished a total of $211.9 million in par value of its original $425 million par value in senior notes outstanding.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements and the currently reported results are based upon the current expectations and beliefs of Fremont General Corporation ("Fremont") and its subsidiaries (combined "the Company") concerning future developments and their potential effects upon the Company. These statements and the Company's results reported herein are not guarantees of future performance or results and there can be no assurance that actual developments and economic performance will be as anticipated by the Company. Actual developments and/or results may differ significantly and adversely from the Company's expected results as a result of significant risks, uncertainties and factors beyond the Company's control (as well as the various assumptions utilized in determining the Company's expectations) which include, but are not limited to, the following:

o the variability of general and specific economic conditions and trends, and changes in, and the level of, interest rates;

o the impact of competition and pricing environments on loan and deposit products and the resulting effect upon the Company's net interest margin and net gain on sale;

o changes in the Company's ability to originate loans, and any changes in the cost and volume of loans originated as a result;

o the ability to access the necessary capital resources in a cost-effective manner to fund loan originations and the condition of the whole loan sale and securitization markets;

o the ability of the Company to sell or securitize the residential real estate loans it originates, the pricing of existing and future loans, and the net premiums realized upon the sale of such loans;

o the ability of the Company to sell certain of the commercial real estate loans and foreclosed real estate in its portfolio and the net proceeds realized upon the sale of such;

o the impact of changes in the commercial and residential real estate markets, and changes in the fair values of the Company's assets and loans, including the value of the underlying real estate collateral;

o the ability to collect and realize the amounts outstanding, and the timing thereof, of loans and foreclosed real estate, and the variability in determining the level of the allowance for loan losses;

o the effect of certain determinations or actions taken by, or the inability to secure regulatory approvals from, the Federal Deposit Insurance Corporation, the Department of Financial Institutions of the State of California or other regulatory bodies on various matters;

o the ability of the Company to maintain cash flow sufficient for it to meet its debt service and other obligations;

- the impact and cost of adverse state and federal legislation and regulations, litigation, court decisions and changes in the judicial climate;

- the ability of the Company to utilize the net operating loss carryforwards currently held and the impact of changes in federal and state tax laws and interpretations, including tax rate changes, and the effect of any adverse outcomes from the resolution of issues with taxing authorities;

- the ability of the Company to meet its contribution and other obligations as set forth in its July 2002 agreement with the California Department of Insurance regarding its discontinued insurance operations and the impact in enforcing its rights under the agreement; and

- other events, risks and uncertainties discussed elsewhere in this Form 10-Q and from time to time in Fremont's other reports, press releases and filings with the Securities and Exchange Commission.

The Company undertakes no obligation to publicly update such forward-looking statements.

GENERAL

Fremont General Corporation ("Fremont" or when combined with its subsidiaries "the Company") is a financial services holding company. The Company's financial services business is consolidated within Fremont General Credit Corporation ("FGCC"), which is engaged in commercial and residential real estate lending nationwide through its California-chartered industrial bank subsidiary, Fremont Investment & Loan ("FIL"). Additionally, there are certain corporate revenues and expenses, comprised primarily of investment income, interest expense and certain general and administrative expenses, which are not allocated by Fremont to FGCC or to the discontinued insurance operations.

This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto presented under Item 1, and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

RESULTS OF OPERATIONS

The Company reported net income of $41,576,000 for the first quarter of 2003. This is compared to net income of $18,057,000 for the first quarter of 2002. The following table presents a summary of the Company's income before income taxes and net income for the quarterly periods ended March 31, 2003 and 2002, respectively:

THREE MONTHS

	MARCH 31
	2003
	(THOUSANDS OF D
Income (loss) before income taxes:	
Financial services	$ 87,724
Unallocated corporate interest and other expenses	(16,898)
Income before income taxes	70,826
Income tax expense	(29,250)
Net income	$ 41,576

The Company's financial services operation recorded income before taxes of $87.7 million for the first quarter of 2003 as compared to $42.2 million for the first quarter of 2002. This increase in financial services pre-tax income for the first quarter of 2003, which represents an 108% increase over the results for the first quarter of 2002, is the primary reason for the increase in net income during the first quarter of 2003, offset to a lesser degree by increases in the amount of unallocated corporate interest and other expense and in income tax expense. See "Financial Services Operation" for further discussion regarding the financial services operation's results.

The unallocated corporate interest and other expense loss before taxes for the quarter ended March 31, 2003, was $16.9 million as compared to $12.5 million for the same quarter in 2002. The increase for the first quarter of 2003, as compared to the first quarter of 2002, is substantially due to the net effect of the following: during the first quarter of 2003 the Company incurred a write-off of intercompany receivables from the discontinued insurance operation in the amount of $2.3 million and $1.7 million in higher compensation expense, primarily incentive related, offset by lower interest expense of $1.4 million and $1.1 million in interest income from a tax refund; during the first quarter of 2002, the Company had a reduction of $1.7 million in the amount of compensation expense, primarily due to cash received from forfeited shares in the Company's incentive compensation plan, and an additional $800,000 in gain from the extinguishment of debt.

During the quarter ended March 31, 2003, the Company extinguished $4.3 million in principal amount of its publicly traded 7.70% Senior Notes due 2004 and recognized a pre-tax gain of $93,000.

Income tax expense of $29.3 million and $11.6 million for the quarters ended March 31, 2003 and 2002, respectively, represents effective tax rates of 41.3% and 39.2%, respectively, on income before income taxes of $70.8 million and $29.7 million for the same respective periods. The effective tax rates for both periods presented are different than the federal enacted tax rate of 35%, due mainly to various state income tax provisions within the Company's financial services operation.

FINANCIAL SERVICES OPERATION

The following table summarizes the Company's financial services operation's earnings for the respective quarters indicated:

	THREE MONTHS E MARCH 31	
	2003	
	(THOUSANDS OF DO	
FINANCIAL SERVICES		
Interest and fee income on loans	$ 118,636	$
Interest income on investment securities	1,146	
Total interest income	119,782	
Interest expense	38,238	
Net interest income	81,544	
Provision for loan losses	22,920	
Net interest income after provision for loan losses	58,624	
Net gain on sales of residential real estate loans	37,732	
Net gain on sale of residual interests in securitizations	17,503	
Other non-interest income	5,926	
Operating expenses	(32,061)	
Income before income taxes	$ 87,724	$

The Company's financial services operation recorded income before taxes of $87.7 million for the first quarter of 2003 as compared to $42.2 million for the first quarter of 2002. The increase in income before taxes for the first quarter of 2003 represents an 108% increase over the results for the first quarter of 2002 and is a result of significantly increased levels of net interest income and net gain on the sale of residential real estate loans, a $17.5 million gain on the sale of residual interests in securitizations, offset by a higher provision for loan losses and operating expenses. The net interest income for the first quarter of 2003 was $81.5 million as compared to $60.8 million for the first quarter of 2002. The increase in net interest income is primarily a result of an increase in the net interest

income margin (net interest income as a percentage of average interest-earning assets). The net interest income margin improved to an annualized 5.29% for the first quarter of 2003 from 4.98% for the first quarter of 2002. The net gain on the sale of residential real estate loans, net of reductions in the carrying valuations of loans held for sale, increased from $14.8 million in the first quarter of 2002 to $37.7 million for the first quarter of 2003. This increase is primarily attributable to a significant increase in the volume of loans sold in the two comparable quarters. A total of $2.18 billion in loans were sold during the first quarter of 2003, as compared to loan sales of $896.8 million during the first quarter of 2002. The net gain percentage (net gain after allocated costs divided by net whole loan sales) on these sales increased from 1.65% in the first quarter of 2002 to 1.73% in the first quarter of 2003. The provision for loan losses increased to $22.9 million for the first quarter of 2003 as compared to $15.5 million for the first quarter of 2002. The Company's net loans receivable (excluding loans held for sale), before the allowance for loan losses, were approximately $4.12 billion at March 31, 2003, as compared to $4.14 billion and $3.88 billion at December 31, 2002 and March 31, 2002, respectively. The Company's residential real estate loans held for sale have increased from $1.03 billion at March 31, 2002 to $1.80 billion at March 31, 2003; this increase is reflective of a significant increase in loan production volume - during the first quarter of 2002, residential real estate loan originations totaled $1.33 billion as compared to $2.33 billion for the first quarter of 2003.

The following table shows loans receivable outstanding (excluding loans held for sale) in the various financing categories as of the dates indicated:

	MARCH 31, 2003
	(THOUSA
Commercial real estate loans:	
Bridge	$ 1,743,880
Permanent	1,370,319
Construction	364,665
Single tenant credit	292,298
	3,771,162
Residential real estate loans	349,755
Syndicated commercial loans	13,519
Other - consumer loans	4,221
	4,138,657
Deferred fees and costs	(19,190)
Loans receivable before allowance for loan losses	4,119,467
Allowance for loan losses	(175,162)
Loans receivable, net of allowance for loan losses	$ 3,944,305
Residential real estate loans held for sale	$ 1,801,560

As of March 31, 2003, approximately 45% of the Company's commercial real estate loans outstanding were secured by properties located within California; no other state represented greater than 8% of the loan portfolio. The Company's largest single commercial real estate loan outstanding at March 31, 2003 was $53.1 million; this loan has a total loan commitment of $67.9 million, however, it is cross-collateralized and cross-defaulted with another loan with the same investment fund on a related real estate project. The combined loan principal outstanding and total loan commitment of these two loans at March 31, 2003 is $67.1 million and $81.9 million, respectively. The Company's largest net commitment for a single loan at March 31, 2003 was $82.5 million; this represents the maximum loan amount to the borrower. In addition, the portfolio has one concentration by common investor or sponsor that is in excess of $75 million in loan principal outstanding. This concentration, which totals $101.2 million in loan principal outstanding and $130.4 million in total loan commitment at March 31, 2003, is from one investment fund (common advisor) and is comprised of fourteen separate loans, each of which was performing as of March 31, 2003.

The following table stratifies the commercial real estate portfolio by loan amounts outstanding as of March 31, 2003 (in thousands of dollars, except percents and number of loans):

LOAN SIZE RANGE	NUMBER OF LOANS	TOTAL LOANS OUTSTANDING
$0 - $5 million	384	$ 746,274
> $5 million - $10 million	115	824,336
> $10 million - $15 million	49	604,459
> $15 million - $20 million	29	495,918
> $20 million - $30 million	23	587,707
> $30 million - $40 million	11	371,256
> $40 million - $50 million	2	88,110
> $50 million	1	53,102
	614	$ 3,771,162

The following table identifies the interest income, interest expense, average interest-earning assets and interest-bearing liabilities, and net interest margins for the Company's financial services operation for the periods indicated:

	THREE MONTHS ENDED MAR			
	2003			
	AVERAGE BALANCE	INTEREST	YIELD/ COST (1)	AVERAG BALANC
	(THOUSANDS OF DOLLARS, EXCEPT			
Interest-earning assets (2) :				
Commercial real estate loans	$ 3,748,651	$ 73,974	8.00%	$ 3,502
Residential real estate loans (3)	2,305,668	44,651	7.85	1,250

Syndicated commercial loans	22,373	11	0.20	97
Investment securities	178,470	1,146	2.60	101
Total interest-earning assets	$ 6,255,162	$ 119,782	7.77%	$ 4,952
Interest-bearing liabilities:				
Time deposits	$ 3,658,492	$ 26,506	2.94%	$ 3,195
Savings deposits	1,212,769	6,865	2.30	998
Debt with FHLB	720,344	4,847	2.73	272
Other	4,289	20	1.89	3
Total interest-bearing liabilities	$ 5,595,894	$ 38,238	2.77%	$ 4,469
Net interest income		$ 81,544		
Percent of average interest-earning assets(1):				
Interest income		7.77%		
Interest expense		2.48%		
Net interest margin		5.29%		

The Company's net interest margin as a percentage of average interest-earning assets increased to 5.29% in the first quarter of 2003 as compared to 4.98% for the first quarter of 2002. The increase in the Company's net interest margin is due primarily to higher net spreads between the commercial and residential real estate loans yields and the effective cost of funds employed to fund these assets as the interest yields on deposits and Federal Home Loan Bank ("FHLB") borrowings declined on a quarter-to-quarter comparison more than the yields on commercial and residential real estate loans did. This is due in part to the presence of interest rate floors (in which the total of the variable base rate, such as six-month LIBOR, plus the related spread on a commercial real estate loan will not contractually drop below a certain absolute level, such as 7%) on a significant number of the Company's commercial real estate loans, as well as various economic and market factors.

The following tables report the non-performing asset classifications, accruing loans past due 90 days or more, loan loss experience and allowance for loan losses reconciliation of the financial services operation as of or for the respective periods ended:

	MARCH 31, 2003	DEC
	(THOUSAND	

Non-accrual loans receivable:		
Commercial real estate loans	$ 57,970	$
Residential real estate loans - portfolio	6,605	
Residential real estate loans - held for sale	5,670	
Syndicated commercial loans	6,854	
Other	-	
	77,099	
Real estate owned ("REO"):		
Commercial real estate loans	25,477	
Residential real estate loans - portfolio	563	
Residential real estate loans - held for sale	855	
	26,895	
Total non-performing assets ("NPA")	$ 103,994	$
Accruing loans past due 90 days or more:		
Commercial real estate loans	$ 11,571	$
Residential real estate loans	-	
Other	-	
	$ 11,571	$
NPA to total loans receivable, loans held for sale ("HFS") and REO	1.75%	
Accruing loans past due 90 days or more to total loans receivable and HFS	0.20%	

	MARCH 31	
	2003	
	(THOUSANDS OF D	
Beginning allowance for loan losses	$ 161,190	$
Provision for loan losses	22,920	
Charge-offs:		
Commercial real estate loans	(8,622)	
Residential real estate loans	(170)	
Syndicated commercial loans	(199)	
Other-consumer	-	
Total charge-offs	(8,991)	
Recoveries:		

Commercial real estate loans	-	
Residential real estate loans	34	
Syndicated commercial loans	9	
Other-consumer	-	
Total recoveries	43	
Net charge-offs	(8,948)	
Ending allowance for loan losses	$ 175,162	$
Allowance for loan losses to total loans receivable	4.25%	
Net loan charge-offs to average total loans receivable (excluding HFS)*	0.87%	

* Annualized

	MARCH 31, 2003	DEC
		(THOUSA
Allocation of allowance for loan losses:		
Commercial real estate loans	$ 164,279	$
Residential real estate loans	7,449	
Syndicated commercial loans	3,434	
Other-consumer	-	
Total allowance for loan losses	$ 175,162	$

Non-performing assets decreased to $104.0 million, or 1.75% of total loans receivable, loans held for sale and real estate owned at March 31, 2003, from $107.3 million or 1.84% at December 31, 2002 and $167.4 million or 3.38% at March 31, 2002. Accruing loans 90 days or greater past due totaled $11.6 million at March 31, 2003 and include loans that are contractually past maturity, but continue to make full interest payments. The level of non-performing assets fluctuates and specific loans can have a material impact upon the total. During the first quarter of 2003, there was one loan restructured as to its terms and included in accrual status at March 31, 2003. The total loan principal

outstanding under this one loan was $8.9 million at March 31, 2003 and the Company incurred a $139,000 charge-off related to the restructuring of the loan during the first quarter of 2003. During the first quarter of 2002, there were five commercial real estate loans, with a total outstanding balance of $103.2 million at March 31, 2002, that were restructured and included in accrual status. Of the five loans restructured during the first quarter of 2002, three (total balance of $56.4 million) were paid off in full during the second quarter of 2002, and two (total balance of $46.8 million) remained on accrual status as of March 31, 2003. The Company incurred $559,000 in charge-offs related to the restructuring of the five loans during the first quarter of 2002.

The provision for loan losses for the first quarter of 2003 increased to $22.9 million, as compared to $15.5 million in the first quarter of 2002. The allowance for loan losses, as a percentage of total loans receivable, excluding loans held for sale, increased to 4.25% as of March 31, 2003, as compared to 2.94% at March 31, 2002. The increase in the provision for loan losses during the first quarter of 2003, as compared to the first quarter of 2002, is primarily due to an increased level of net loan charge-offs in the first quarter of 2003 and a small amount of growth in the total loan portfolio. Net charge-offs in the first quarter of 2003 totaled $8.9 million, as compared to $5.6 million for the first quarter of 2002. The total increase is a result of an increase of $5.0 million in net charge-offs for commercial real estate loans, offset by $1.8 million less in syndicated commercial loan net charge-offs. The increase in net charge-offs for commercial real estate loans during 2003 primarily is a reflection of the effect of a contracted economic environment.

During the first quarter of 2003, the Company sold all of its residual interests in its three securitizations of residential real estate loans for $40.2 million in cash to an unaffiliated third party. The Company recognized a pre-tax gain on the sale of $17.5 million during the first quarter of 2003.

LIQUIDITY AND CAPITAL RESOURCES

FIL finances its lending activities primarily through Federal Deposit Insurance Corporation ("FDIC") insured customer deposits, which totaled $5.0 billion at March 31, 2003. FIL is also eligible for financing through the Federal Home Loan Bank of San Francisco ("FHLB"), which financing is available at various rates and terms. At March 31, 2003, FIL had borrowing availability with the FHLB of $1.39 billion, of which $725 million was borrowed and outstanding. In addition, FIL has a line of credit with the Federal Reserve Bank of San Francisco ("FRB") with a borrowing availability of $161.2 million at March 31, 2003. There were no amounts outstanding under the line of credit with the FRB at March 31, 2003. The FDIC has established certain capital and liquidity standards for its member institutions, and FIL was in compliance with these standards as of March 31, 2003. The Company believes it has sufficient liquidity and capital resources to fund its financial services operation for the foreseeable future.

As a holding company, Fremont pays its operating expenses, interest expense and stockholders' dividends, and meets its other obligations primarily from its cash on hand and intercompany-tax payments from FIL. Dividends of $1.5 and $2.8 million were paid on Fremont's common stock in the quarters ending March 31, 2003 and 2002, respectively; however, the Company can give no assurance that future common stock dividends will be declared. Fremont is obligated under an agreement with the California Department of Insurance to make certain cash contributions to its discontinued workers' compensation insurance subsidiary. The total amount of these future contributions is $76.2 million as of March 31, 2003, payable quarterly at a rate of $13.25 million per year through 2008. The present value of these contributions has been accrued for and a liability of $71.4 million is reflected on the Company's consolidated balance sheets.

Fremont has available to it significant federal tax net operating loss carryforwards, which may be utilized to reduce or eliminate future tax payments. As a result, intercompany payments of federal tax obligations from FIL, which would otherwise be payable to taxing authorities, are available for use by Fremont for general working capital purposes, including the extinguishment of debt. The Company currently pays various state taxes, primarily California Franchise Taxes, as there are no significant state net operating loss carryforwards available to it for offset. The Company's discontinued insurance operations are generally subject to state premium taxes, and not income taxes, and thus no significant state net operating loss carryforwards were generated. The Company has certain California Franchise Tax issues pending resolution. The Company does not believe that the ultimate outcome of these

matters, which are expected to take several years to resolve, will have a material effect on the Company's financial position or liquidity.

Fremont has cash and short term investments of $61.3 million at March 31, 2003 and no debt maturities until March of 2004 and believes that, with its other available sources of liquidity, it will have sufficient means to satisfy its liquidity needs for at least the next twelve months.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market risk resulting primarily from fluctuations in interest rates arising from balance sheet financial instruments such as investments, loans and debt. Changes in interest rates will affect the Company's net investment income, loan interest, net gain on the sale of residential real estate loans, interest expense and total stockholders' equity. The level of net gain on the sale of residential real estate loans is highly dependent upon the level of loan origination volume and the net premium paid by the purchasers of such loans. Both the volume and net premium, in turn, are highly dependent upon changes in, and the level of, interest rates and other economic factors. The Company may experience a decrease in the amount of net gain it realizes should significant interest rate increases occur or if other economic factors have a negative impact on the value and volume of the loans the Company originates. The objective of the Company's asset and liability management activities is to provide the highest level of net interest and investment income and to seek cost effective sources of capital, while maintaining acceptable levels of interest rate and liquidity risk.

As part of its residential real estate mortgage banking operations, the Company enters into commitments to originate loans ("interest rate lock commitments"), which represent commitments that have been extended by the Company, generally for the period of 30 days, at a stated interest rate to its potential borrowers. The Company determined that its interest rate lock commitments have met the definition of derivatives under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities"; however, the impact of the change in fair value of such derivative instruments is not material to the Company's results of operations. Typically, the Company hedges the risk of overall changes in the fair value for its loans held for sale through entering into forward loan sale commitments.

Quantitative and qualitative disclosures about the Company's market risk are included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002. There have been no material changes in such risks or in the Company's asset and liability management activities during the three months ended March 31, 2003.

ITEM 4. CONTROLS AND PROCEDURES

As of March 31, 2003, the Company evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. The evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2003. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to March 31, 2003 through the date of the filing of this Form 10-Q.

PART II - OTHER INFORMATION

ITEM 6: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) EXHIBITS.

EXHIBIT NO.	DESCRIPTION
3.1	Restated Articles of Incorporation of Fremont General Corporation. (Incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q, for the period ended June 30, 1998, Commission File Number 1-8007.)
3.2	Certificate of Amendment of Articles of Incorporation of Fremont General Corporation. (Incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1998, Commission File Number 1-8007.)
3.3	Amended and Restated By-Laws of Fremont General Corporation. (Incorporated by reference to Exhibit 3.3 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)
4.1	Form of Stock Certificate for Common Stock of the Registrant. (Incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 2000, Commission File Number 1-8007.)
4.2	Indenture with respect to Liquid Yield Option Notes Due 2013 between

the Registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-3 filed on October 1, 1993, Registration Number 33-68098.)

4.3 Indenture among the Registrant, the Trust and Bank of New York (originated with First Interstate Bank of California), a New York Banking Corporation, as trustee. (Incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)

4.4 Amended and Restated Declaration of Trust among the Registrant, the Regular Trustees, The Chase Manhattan Bank (USA), a Delaware banking corporation, as Delaware trustee, and The Chase Manhattan Bank, N.A., a national banking association, as Institutional Trustee. (Incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)

4.5 Preferred Securities Guarantee Agreement between the Registrant and The Chase Manhattan Bank, N.A., a national banking association, as Preferred Guarantee Trustee. (Incorporated by reference to Exhibit 4.6 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)

4.6 Common Securities Guarantee Agreement by the Registrant. (Incorporated by reference to Exhibit 4.7 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)

4.7 Form of Preferred Securities. (Included in Exhibit 4.5). (Incorporated by reference to Exhibit 4.8 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)

99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.

99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.

(b) REPORTS ON FORM 8-K.

On April 29, 2003 the Company filed a Current Report on Form 8-K furnishing Regulation FD Disclosure under Item 9 to report its results of operations for the first quarter of 2003.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FREMONT GENERAL CORPORATION

Date: May 14, 2003 /s/ LOUIS J. RAMPINO

Louis J. Rampino, President,
Chief Operating Officer and Director

Date: May 14, 2003 /s/ PATRICK E. LAMB

Patrick E. Lamb, Senior Vice President,
Controller and Chief Accounting Officer
(Principal Accounting Officer)

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CERTIFICATIONS

I, James A. McIntyre, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fremont General Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a.) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b.) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c.) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a.) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b.) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ JAMES A. McINTYRE

James A. McIntyre
Chairman of the Board and Chief Executive Officer

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I, Wayne R. Bailey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fremont General Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in

Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a.) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b.) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c.) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a.) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b.) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ WAYNE R. BAILEY

Wayne R. Bailey
Executive Vice President, Treasurer and
Chief Financial Officer

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