

## THE FDIC PRELIMINARY BANK EARNINGS REPORT

- COMMERCIAL BANKS EARN \$19.2 BILLION IN SECOND QUARTER
- GAINS ON SECURITIES SALES BUOY PROFITS
- MARGIN WOES CONTINUE TO ERODE COMMUNITY BANKS' PROFITABILITY
- PROBLEMS WORSEN IN LARGE BANKS' COMMERCIAL LOANS
- CHARGE-OFFS INCREASE IN CREDIT-CARD PORTFOLIOS

Insured commercial banks earned \$19.2 billion in the second quarter of 2001, a 31-percent (\$4.5 billion) improvement over the second quarter of 2000. A year ago, sizable restructuring and credit-related charges at a few large banks depressed industry earnings. The absence of comparable charges in the second quarter accounted for almost all of the improvement in net income. Lower interest rates allowed banks to realize gains on sales of securities, which also boosted net income. But slower growth and narrower net interest margins meant lower earnings for many community banks. More than one out of every ten banks with assets less than \$100 million (11.6 percent) were unprofitable in the quarter. Fewer than half of all commercial banks - 49.4 percent - reported higher quarterly earnings than a year ago. The industry's return on assets (ROA) was 1.21 percent, down from 1.27 percent in the first quarter, but up from 0.99 percent a year ago. A majority of banks reported lower ROAs compared to a year ago. Through the first six months of 2001, industry earnings totaled a record \$39.0 billion, \$4.8-billion (14.1 percent) more than in the first half of 2000. The industry's ROA was 1.24 percent, compared to 1.16 percent for the first six months of last year.

Noninterest income was \$3.6 billion (10.0 percent) higher than in the second quarter of 2000, despite lower revenue from trading and trust activities. Trading revenues were \$209 million (6.9 percent) lower, while fiduciary (trust) income fell by \$364 million (6.8 percent). One area of noninterest income improvement was service charges on deposit accounts, which rose by \$922 million (15.8 percent).<sup>1</sup> Declining interest rates boosted the market values of banks' fixed-rate securities during the quarter. Securities sales yielded gains totaling \$861 million in the second quarter; a year ago, sales produced a \$1.0-billion net loss for the industry. Loan-loss provisions continued to grow in the second quarter. Banks set aside \$8.8 billion for future loan losses during the quarter, an increase of \$1.6 billion (22.3 percent) from the second quarter of 2000. Quarterly loss provisions absorbed 9.6 percent of the industry's net operating revenues (noninterest income plus net interest income), up from 8.3 percent a year earlier. Noninterest expenses were only \$76 million (0.1 percent) higher than a year ago, when restructuring charges at a few large banks inflated the industry total.

Net interest income was \$2.2 billion (4.3 percent) higher in the second quarter than a year ago. Interest-earning assets were \$297 billion (5.7 percent) higher at mid-year than they were 12 months earlier, but lower net interest margins limited the growth in net interest income. The industry's net interest margin remained 9 basis points lower compared to a year earlier, although it rose 7 basis points from its level in the first quarter, ending a stretch of six consecutive quarterly declines. Banks with less than \$100 million in assets were the only asset-size group to report a margin decline during the second quarter; their margin fell by 3 basis points to 4.26 percent, 36 basis points lower than a year ago.

Loan charge-offs and noncurrent loans (loans 90 days or more past due or in nonaccrual status) continued to increase during the second quarter. Banks charged-off \$7.9 billion in bad loans during the quarter, an increase of \$2.6 billion (50.0 percent) from the level of the second quarter of 2000. As has been the case in recent quarters, the greatest deterioration in credit quality occurred in commercial and industrial (C&I) loan portfolios at larger banks. Although C&I loans represent only 26.6 percent of commercial banks' loans, they have generated more than half of the increase in all noncurrent loans in every quarter since the first quarter of 1998, and more than half of the increase in charged-off loans in every quarter since the fourth quarter of 1999. C&I loan charge-offs totaled \$3.1 billion, up \$1.4 billion (76.7 percent) from a year ago. They accounted for 39.3 percent of all loan charge-offs in the second quarter, and 51.1 percent of the increase in total charge-offs from a year earlier. Credit-card loans also registered increased charge-offs. Banks charged-off \$2.8 billion in credit-card loans during the quarter, an increase of \$592 million (26.5 percent) compared to the second quarter of 2000. Net charge-offs on

leases were up by \$108 million (94.7 percent), and the quarterly charge-off rate of 0.53 percent was the highest since the end of 1992. Residential mortgage loan charge-offs rose in the second quarter to \$292 million, a \$106-million (57.0-percent) increase from a year earlier.

Despite the rising level of charge-off activity, noncurrent loans remaining in banks' loan portfolios continued to increase as well. Total noncurrent loans increased by \$2.7 billion (5.8 percent) during the quarter. During the past 12 months, noncurrent loans have increased by \$12.1 billion (33.1 percent). At mid-year, 1.26 percent of commercial banks' loans were noncurrent, the highest level in six years. C&I loans accounted for two-thirds (\$1.8 billion) of the increase in noncurrent loans during the quarter. More than 2 percent of C&I loans were noncurrent at the end of the quarter, the first time since the end of 1993 that the noncurrent rate has been this high. Only one out of every three commercial banks had an increase in its noncurrent C&I loan rate during the quarter, but the banks that experienced deterioration held three-fourths of the banking industry's C&I loans.

Noncurrent rates increased in several other loan categories during the quarter, although not to the extent seen in C&I loans. The percentage of real estate loans secured by farmland that were noncurrent rose from 1.44 percent to 1.66 percent during the quarter. The noncurrent rate for leases rose from 0.79 percent to 0.93 percent, while the rate for loans secured by commercial real estate properties increased from 0.79 percent to 0.87 percent, and the percentage of agricultural production loans that were noncurrent rose from 1.44 percent to 1.52 percent.

Commercial banks' asset growth slowed for the third consecutive quarter. Industry assets grew by \$44.8 billion during the quarter, after increasing by \$71.7 billion in the first quarter and \$138.0 billion in the second quarter of last year. Loans increased by only \$27.8 billion (0.7 percent). Growth in mortgage-backed securities (up \$23.7 billion, or 4.8 percent) accounted for more than half of the total increase in commercial bank assets in the second quarter. Real estate construction and development loans continued to exhibit strong growth, rising by \$10.4 billion (5.9 percent). Banks' C&I loans declined by \$19.9 billion (1.9 percent), the largest quarterly decline ever reported by the industry. The trend in C&I lending over the past 12 months suggests that most of this decline has been in loans to larger commercial borrowers. Data reported annually each June 30 show that C&I loans with original amounts of less than \$1 million have increased over the past year by \$10.8 billion (4.6 percent), while larger C&I loans to U.S. borrowers have declined by \$20.0 billion (3.2 percent).

Deposit growth kept pace with overall asset growth during the quarter. Growth in savings deposits remained strong, despite a marked slowdown in the growth of brokered money-market deposit accounts (MMDAs). Demand deposits increased by \$14.5 billion, while retail (< \$100,000) time deposits fell by \$18.6 billion. Federal Home Loan Bank (FHLB) advances increased by \$4.5 billion.

Reserves increased by \$1.0 billion, as loan-loss provisions exceeded net charge-offs by \$911 million. The growth in reserves, combined with modest loan growth, produced a slight increase in the industry's reserve ratio, from 1.69 percent to 1.70 percent. However, the relatively larger increase in noncurrent loans meant that the industry's "coverage ratio" fell for the sixth consecutive quarter. At the end of June, commercial banks held \$1.35 in reserves for every \$1.00 of noncurrent loans, the lowest level since the first quarter of 1994.

Equity capital increased by \$10.8 billion during the quarter, lifting the industry's equity-to-assets ratio from 8.65 percent to 8.76 percent. However, \$3.5 billion of the increase in equity consisted of goodwill; tangible capital rose by only \$6.7 billion. The industry's core capital "leverage" ratio increased from 7.68 percent to 7.73 percent. Most of the improvement in capital levels occurred at larger banks.

The number of insured commercial banks reporting financial results declined by 60 institutions during the quarter, from 8,238 to 8,178. There were 31 new banks reporting, while 89 banks were absorbed by mergers during the quarter, and one insured commercial bank failed. At midyear, the FDIC's "Problem List" contained 80 commercial banks with combined assets of \$16.5 billion, representing an increase of two banks and a decline of \$1 billion in assets during the quarter.

'Changes in the reporting of banks' noninterest income that became effective in 2001 make year-to-year comparisons of other noninterest income components problematic.

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Table I-A. [Selected Indicators, FDIC-Insured Commercial Banks](#)

Table II-A. [Aggregate Condition and Income Data, FDIC-Insured Commercial Banks](#)

Table III-A. [First Half 2001, FDIC-Insured Commercial Banks](#)

Table IV-A. [Second Quarter 2001, FDIC-Insured Commercial Banks](#)

Table V-A. [Loan Performance, FDIC-Insured Commercial Banks](#)

[Quarterly Net Income & Quarterly Net Interest Margins, Annualized 1997-2001](#)

[Credit Quality of Commercial Banks' C& I Loans and Credit Card Loss Rates and Personal Bankruptcy Filings](#)

[Commercial and Industrial Loans to Small Businesses 1997 - 2001](#)

**TABLE I-A. Selected Indicators, FDIC-Insured Commercial Banks**

	2001*	2000*	2000	1999	1998	1997	1996
Return on assets (%)	1.24	1.16	1.19	1.31	1.19	1.23	1.19
Return on equity (%)	14.31	13.87	14.04	15.31	13.93	14.68	14.45
Core capital (leverage) ratio (%)	7.73	7.73	7.70	7.79	7.54	7.56	7.64
Noncurrent assets plus other real estate owned to assets (%)	0.82	0.67	0.74	0.63	0.65	0.66	0.75
Net charge-offs to loans (%)	0.78	0.57	0.67	0.61	0.67	0.64	0.58
Asset growth rate (%)	6.30	9.42	8.87	5.38	8.53	9.54	6.16
Net interest margin (%)	3.86	3.99	3.95	4.07	4.07	4.21	4.27
Net operating income growth (%)	6.93	2.92	1.89	20.41	2.24	12.46	6.43
Number of institutions reporting	8,178	8,477	8,315	8,579	8,773	9,142	9,527
Percentage of unprofitable institutions (%)	7.10	6.69	7.29	7.50	6.11	4.85	4.28
Number of problem institutions	80	73	76	66	69	71	82
Assets of problem institutions (in billions)	\$17	\$11	\$17	\$4	\$5	\$5	\$5
Number of failed/assisted institutions	2	2	6	7	3	1	5

\* Through June 30, ratios annualized where appropriate. Asset growth rates are for 12 months ending June 30.

**TABLE II-A. Aggregate Condition and Income Data, FDIC-Insured Commercial Banks**

(dollar figures in millions)	Preliminary 2nd Quarter 2001	1st Quarter 2001	2nd Quarter 2000	%Change 00:2-01:2
Number of institutions reporting	8,178	8,238	8,477	-3.5
Total employees (full-time equivalent)	1,690,393	1,682,974	1,661,933	1.7
<b>CONDITION DATA</b>				
Total assets	\$6,360,162	\$6,315,321	\$5,983,472	6.3
Loans secured by real estate	1,737,715	1,702,166	1,627,250	6.8
Commercial & industrial loans	1,025,888	1,045,772	1,033,497	-0.7
Loans to individuals	610,629	597,506	569,279	7.3
Farm loans	48,927	46,228	47,014	4.1
Other loans & leases	438,664	442,384	430,860	1.8
Less: Unearned income	2,764	2,790	3,205	-13.7
Total loans & leases	3,859,060	3,831,266	3,704,696	4.2
Less: Reserve for losses	65,749	64,726	61,957	6.1
Net loans and leases	3,793,311	3,766,540	3,642,739	4.1
Securities	1,056,247	1,049,048	1,046,678	0.9
Other real estate owned	3,203	3,066	2,781	15.2
Goodwill and other intangibles	107,623	103,572	102,295	5.2
All other assets	1,399,780	1,393,096	1,188,979	17.7
Total liabilities and capital	6,360,162	6,315,321	5,983,472	6.3
Noninterest-bearing deposits	753,219	722,021	723,425	4.1
Interest-bearing deposits	3,491,517	3,464,452	3,250,758	7.4
Other borrowed funds	1,135,904	1,144,616	1,128,649	0.6
Subordinated debt	89,580	90,525	82,216	9.0
All other liabilities	332,571	347,130	295,045	12.7
Equity capital	557,373	546,578	503,378	10.7
Loans and leases 30-89 days past due	46,917	47,281	39,413	19.0
Noncurrent loans and leases	48,809	46,113	36,675	33.1

Restructured loans and leases	1,006	1,185	1,114	-9.7
Direct and indirect investments in real estate	267	277	320	-16.6
1-4 Family residential mortgages	943,563	926,958	903,959	4.4
Mortgage-backed securities	518,338	494,604	452,705	14.5
Earning assets	5,478,115	5,446,905	5,181,080	5.7
Long-term assets (5+ years)	1,241,914	1,160,805	1,209,597	2.7
Volatile liabilities	2,155,384	2,152,985	2,145,980	0.4
Foreign office deposits	679,732	671,096	685,411	-0.8
FHLB Advances (Source: FHFB, Call Reports)	184,098	179,625	178,636	3.1
Unused loan commitments	4,671,772	4,551,259	4,174,970	11.9
Derivatives	48,212,925	44,332,066	38,918,854	23.9

INCOME DATA	Preliminary First Half 2001	First Half 2000	%Change	Preliminary 2nd Quarter 2001	2nd Quarter 2000	%Change 00:2-01:2
Total interest income	\$213,521	\$206,288	3.5	\$104,329	\$105,826	-1.4
Total interest expense	108,698	105,185	3.3	51,118	54,822	-6.8
Net interest income	104,823	101,103	3.7	53,211	51,004	4.3
Provision for loan and lease losses	16,775	13,046	28.6	8,837	7,227	22.3
Total noninterest income	79,231	74,097	6.9	39,184	35,622	10.0
Total noninterest expense	110,032	107,207	2.6	55,250	55,174	0.1
Securities gains (losses)	2,030	-1,772	N/M	861	-1,044	N/M
Applicable income taxes	19,946	19,037	4.8	9,988	8,541	16.9
Extraordinary gains, net	-352	13	N/M	-17	-4	N/M
Net income	38,980	34,150	14.1	19,164	14,636	30.9
Net charge-offs	14,880	10,329	44.1	7,926	5,284	50.0
Cash dividends	25,892	22,774	13.7	12,518	11,267	11.1
Net operating income	37,931	35,473	6.9	18,612	15,498	20.1
N/M - Not meaningful						

**TABLE III-A. First Half 2001, FDIC-Insured Commercial Banks**

FIRST HALF Preliminary (The way it is...)	All Institutions	Asset Size Distribution					Geographic Distribution by Region					
		Less than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater than \$10 Billion	East			West			
						North-east	South-east	Centra l	Mid-west	Sout h-west	West	
Number of institutions reporting	8,178	4,685	3,101	313	79	654	1,412	1,744	2,118	1,356	894	
Total assets (in billions)	\$6,360.2	\$228.0	\$789.8	\$899.6	\$4,442.8	\$2,233.9	\$1,612.4	\$1,144.2	\$406.9	\$264.2	\$698.6	
Total deposits (in billions)	4,244.7	192.5	644.4	624.2	2,783.7	1,403.1	1,093.9	756.3	291.0	216.3	484.1	
Net income (in millions)	38,980	1,091	4,814	5,925	27,150	13,187	9,733	5,949	2,733	1,534	5,844	
% of unprofitable institutions.	7.1	10.7	2.4	2.6	0.0	10.6	11.6	6.0	4.1	5.0	10.0	
% of institutions with earnings gains	51.1	45.3	58.3	65.5	62.0	59.3	49.1	53.6	46.9	48.2	58.3	
<b>Performance ratios (annualized, %)</b>												
Yield on earning assets	7.86	8.21	8.25	8.27	7.67	7.60	7.77	7.73	8.33	8.04	8.72	
Cost of funding earning assets	4.00	3.95	3.92	3.93	4.03	4.16	3.89	4.11	3.93	3.65	3.73	
Net interest margin	3.86	4.26	4.33	4.35	3.64	3.44	3.88	3.62	4.40	4.39	4.98	
Noninterest income to earning assets	2.92	1.15	1.71	2.61	3.31	3.75	2.47	1.94	2.87	1.57	3.59	

Noninterest expense to earning assets	4.05	3.76	3.83	4.08	4.10	4.45	3.74	3.31	4.36	3.88	4.68	
Loan and lease loss provision to assets	0.53	0.25	0.30	0.63	0.57	0.51	0.42	0.52	0.72	0.28	0.88	
Net operating income to assets	1.20	0.96	1.21	1.27	1.20	1.16	1.19	1.02	1.28	1.14	1.65	
Return on assets	1.24	0.98	1.24	1.32	1.23	1.19	1.21	1.05	1.32	1.18	1.73	
Return on equity	14.31	8.75	12.75	14.29	15.02	14.75	13.59	13.22	13.58	12.28	17.33	
Net charge-offs to loans and leases	0.78	0.24	0.33	0.84	0.88	0.92	0.59	0.60	0.94	0.36	1.21	
Loan and lease loss provision to net charge-offs	112.74	176.20	142.09	116.78	108.89	108.28	107.63	127.57	110.90	132.48	113.55	
Efficiency ratio	57.80	68.87	62.56	56.19	56.88	60.00	56.68	57.45	58.06	63.28	52.69	
<b>Condition Ratios (%)</b>												
Earning assets to total assets	86.13	91.79	91.45	89.52	84.21	83.18	86.40	88.89	89.60	89.87	87.01	
Loss allowance to:												
Loans and leases	1.70	1.39	1.42	1.88	1.74	1.86	1.52	1.58	1.60	1.41	2.13	
Noncurrent loans and leases	134.71	128.77	157.43	178.22	124.83	122.77	124.40	130.71	165.15	138.15	194.25	
Noncurrent assets plus												
other real estate owned to assets	0.82	0.79	0.69	0.73	0.87	0.81	0.88	0.86	0.75	0.70	0.76	
Equity capital ratio	8.76	11.14	9.80	9.50	8.31	8.16	9.13	8.10	9.84	9.69	9.99	
Core capital (leverage) ratio	7.73	10.87	9.35	8.45	7.14	7.33	7.72	7.56	8.34	8.60	8.66	
Tier 1 risk-based capital ratio	9.68	16.04	13.03	11.30	8.59	9.64	9.26	8.93	10.75	12.63	10.50	
Total risk-based capital ratio	12.41	17.14	14.19	13.17	11.80	12.54	12.05	11.87	12.89	14.08	13.06	
Net loans and leases to deposits	89.37	72.42	79.01	90.30	92.72	79.51	96.05	100.18	97.89	71.06	88.99	
<b>Structural Changes (YTD)</b>												
New Charters	64	61	3	0	0	10	14	14	9	3	14	
Banks absorbed by mergers	193	82	92	15	4	20	32	64	31	26	20	
Failed banks	2	2	0	0	0	1	0	1	0	0	0	
<b>PRIOR FIRST HALVES (The way it was)</b>												
Number of institutions	2000	8,477	5,037	3,059	299	82	670	1,435	1,834	2,180	1,429	929
	1998	8,982	5,645	2,963	310	64	704	1,474	1,961	2,306	1,570	967
	1996	9,690	6,470	2,816	331	73	765	1,592	2,137	2,454	1,722	1,020
Total assets (in billions)	2000	\$5,983.5	\$237.2	\$766.7	\$863.5	\$4,116.0	\$2,042.8	\$1,605.3	\$1,012.3	\$417.4	\$317.1	\$588.6
	1998	5,181.4	259.0	734.0	927.7	3,260.7	1,907.1	1,102.8	845.2	338.9	302.6	684.8
	1996	4,397.0	290.2	681.0	1,001.3	2,424.5	1,667.1	767.7	697.2	284.0	325.9	655.1
Return on assets (%)	2000	1.16	1.19	1.30	1.29	1.11	1.28	0.91	1.06	1.45	1.08	1.48
	1998	1.25	1.24	1.37	1.56	1.14	1.16	1.21	1.31	1.48	1.17	1.43
	1996	1.18	1.22	1.29	1.30	1.10	1.06	1.24	1.19	1.44	1.23	1.30
Net charge-offs to loans & leases (%)												
	2000	0.57	0.24	0.32	0.60	0.64	0.75	0.41	0.33	0.81	0.35	0.90
	1998	0.62	0.21	0.33	1.02	0.60	0.86	0.40	0.39	0.72	0.39	0.78
	1996	0.56	0.19	0.37	0.82	0.53	0.67	0.42	0.40	0.63	0.29	0.71
Noncurrent assets plus												
OREO to assets (%)	2000	0.67	0.69	0.59	0.58	0.70	0.73	0.64	0.62	0.58	0.65	0.68
	1998	0.65	0.77	0.65	0.73	0.62	0.74	0.57	0.56	0.64	0.59	0.69
	1996	0.82	0.84	0.80	0.84	0.81	0.95	0.65	0.63	0.70	0.64	1.00
Equity capital ratio (%)	2000	8.41	10.94	9.30	8.62	8.06	8.01	8.26	7.97	9.27	8.75	10.22

1998	8.60	10.99	9.71	9.76	7.84	7.49	9.42	8.58	9.20	9.16	9.88
1996	8.30	10.42	9.41	9.02	7.43	7.45	8.45	8.50	8.89	8.82	9.56

REGIONS: Northeast - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, U.S. Virgin Islands  
Southeast - Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia  
Central - Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin  
Midwest - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota  
Southwest - Arkansas, Louisiana, New Mexico, Oklahoma, Texas  
West - Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, Wyoming

**TABLE IV-A. Second Quarter 2001, FDIC-Insured Commercial Banks**

SECOND QUARTER Preliminary (The way it is)	Asset Size Distribution					Geographic Distribution by Region						
	All Institutions	Less than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater than \$10 Billion	East			West			
						North-east	South-east	Central	Mid-west	South-west	West	
Number of institutions reporting	8,178	4,685	3,101	313	79	654	1,412	1,744	2,118	1,356	894	
Total assets (in billions)	\$6,360.2	\$228.0	\$789.8	\$899.6	\$4,442.8	\$2,233.9	\$1,612.4	\$1,144.2	\$406.9	\$264.2	\$698.6	
Total deposits (in billions)	4,244.7	192.5	644.4	624.2	2,783.7	1,403.1	1,093.9	756.3	291.0	216.3	484.1	
Net income (in millions)	19,163.6	536.9	2,423.4	2,869.2	13,334.1	6,597.3	5,084.4	2,901.2	1,422.6	775.3	2,382.8	
% of unprofitable institutions	8.0	11.6	3.1	3.5	1.3	10.4	13.2	6.1	5.6	6.0	10.4	
% of institutions with earnings gains	49.4	43.5	56.6	64.2	63.3	59.3	46.5	52.0	46.8	45.7	53.6	
<b>Performance Ratios (annualized, %)</b>												
Yield on earning assets	7.64	8.12	8.12	8.07	7.43	7.30	7.67	7.52	8.16	7.86	8.44	
Cost of funding earning assets	3.74	3.86	3.78	3.70	3.74	3.84	3.70	3.86	3.67	3.46	3.49	
Net interest margin	3.90	4.26	4.34	4.37	3.69	3.45	3.97	3.65	4.49	4.40	4.95	
Noninterest income to earning assets	2.87	1.17	1.72	2.66	3.23	3.63	2.55	2.03	2.96	1.58	3.11	
Noninterest expense to earning assets	4.05	3.77	3.85	4.15	4.08	4.34	3.80	3.41	4.35	3.87	4.68	
Credit loss provision to assets	0.56	0.28	0.33	0.71	0.58	0.53	0.44	0.58	0.75	0.29	0.88	
Net operating income to assets	1.17	0.94	1.20	1.23	1.17	1.14	1.25	1.00	1.36	1.16	1.29	
Return on assets	1.21	0.95	1.24	1.28	1.20	1.18	1.27	1.02	1.39	1.18	1.39	
Return on equity	13.88	8.51	12.66	13.60	14.58	14.60	13.99	12.71	14.06	12.21	13.86	
Net charge-offs to loans and leases	0.82	0.27	0.37	0.95	0.91	0.97	0.62	0.63	1.02	0.39	1.31	
Credit loss provision to net charge-offs	111.50	174.02	135.72	116.62	107.47	107.82	106.85	134.55	106.25	126.08	105.49	
Efficiency ratio	57.67	68.90	62.60	55.93	56.73	59.38	55.95	57.14	56.46	62.87	55.98	
<b>Structural Changes (QTR)</b>												
New charters	31	29	2	0	0	5	7	7	3	2	7	
Banks absorbed by mergers	89	41	43	4	1	9	14	31	15	12	8	
Failed banks	1	1	0	0	0	0	0	1	0	0	0	
<b>PRIOR SECOND QUARTERS (the way it is)</b>												
Return on assets (%)	2000	0.99	1.20	1.32	1.12	0.89	1.17	0.47	0.92	1.52	1.04	1.51
	1998	1.25	1.23	1.37	1.41	1.18	1.15	1.24	1.30	1.48	1.12	1.45
	1996	1.27	1.24	1.31	1.37	1.23	1.25	1.30	1.20	1.51	1.21	1.31
<b>Net charge-offs to loans &amp; leases (%)</b>												
	2000	0.58	0.30	0.33	0.62	0.64	0.74	0.43	0.32	0.80	0.36	0.95

1998	0.62	0.24	0.35	1.04	0.59	0.83	0.43	0.41	0.72	0.42	0.79
1996	0.57	0.23	0.40	0.88	0.51	0.68	0.42	0.41	0.62	0.34	0.74

**TABLE V-A. Loan Performance, FDIC-Insured Commercial Banks**

	Asset Size Distribution					Geographic Distribution by Region					
	All Institutions	Less than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater than \$10 Billion	East			West		
						North-east	South-east	Central	Mid-west	South-west	West
<i>June 30, 2001</i>											
<b>Percent of Loans 30-89 Days Past Due</b>											
All loans secured by real estate	1.20	1.46	1.09	0.94	1.30	1.11	1.29	1.36	1.01	1.20	0.98
Construction and development	1.19	1.39	1.25	1.51	1.02	0.97	0.81	1.29	1.48	1.35	1.81
Commercial real estate	0.78	1.23	0.86	0.72	0.72	0.69	0.67	1.05	0.93	1.04	0.52
Multifamily residential real estate	0.54	0.58	0.63	0.75	0.43	0.28	0.49	0.77	0.45	1.35	0.50
Home equity loans	0.82	0.99	0.79	0.88	0.81	0.60	0.71	1.10	0.81	0.64	0.84
Other 1-4 Family residential	1.53	1.79	1.35	0.96	1.70	1.26	1.88	1.69	1.01	1.31	1.17
Commercial and industrial loans	0.93	1.89	1.51	1.47	0.74	0.53	0.60	1.46	1.77	1.35	1.32
Loans to individuals	2.19	2.52	2.29	2.22	2.15	2.45	2.02	2.06	2.21	1.81	1.96
Credit card loans	2.61	2.69	5.24	2.71	2.48	2.86	2.66	2.29	2.52	1.56	2.14
Other loans to individuals	1.94	2.52	1.88	1.92	1.92	2.07	1.80	2.04	1.99	1.82	1.64
All other loans and leases (including farm)	0.65	0.95	0.89	0.93	0.60	0.55	0.40	0.87	1.19	0.94	0.71
Memo: Commercial RE loans not secured by RE	0.98	0.77	0.22	0.82	1.02	0.36	1.05	1.37	1.48	0.87	1.46
<b>Percent of Loans Noncurrent*</b>											
All real estate loans	0.91	0.93	0.76	0.79	1.00	1.01	0.94	1.02	0.68	0.84	0.68
Construction and development	0.90	0.89	0.93	0.91	0.88	1.05	0.86	0.84	1.12	0.86	0.88
Commercial real estate	0.87	1.03	0.80	0.83	0.92	0.83	0.82	1.12	0.73	0.86	0.76
Multifamily residential real estate	0.42	0.58	0.45	0.45	0.39	0.24	0.49	0.52	0.42	0.34	0.46
Home equity loans	0.42	0.32	0.37	0.57	0.41	0.31	0.33	0.68	0.33	0.29	0.33
Other 1-4 Family residential	0.96	0.81	0.69	0.77	1.09	0.99	1.13	1.09	0.51	0.78	0.51
Commercial and industrial loans	2.03	1.66	1.35	1.63	2.19	2.10	2.34	1.89	1.30	1.62	1.88
Loans to individuals	1.39	0.93	0.92	1.21	1.51	2.11	0.85	0.71	1.17	0.64	1.29
Credit card loans	2.11	2.06	3.32	2.20	2.05	2.57	1.71	1.36	1.58	0.99	1.77
Other loans to individuals	0.96	0.90	0.58	0.61	1.13	1.70	0.56	0.64	0.86	0.63	0.45
All other loans and leases (including farm)	0.75	1.12	0.99	0.89	0.71	0.72	0.43	0.88	1.17	1.20	0.92
Memo: Commercial RE loans not secured by RE	0.98	0.38	0.29	0.74	1.02	0.47	1.68	0.52	0.17	0.31	0.10
<b>Percent of Loans Charged-off (net, YTD)</b>											
All real estate loans	0.12	0.05	0.05	0.12	0.15	0.09	0.12	0.19	0.14	0.04	0.07
Construction and development	0.08	0.06	0.04	0.13	0.08	0.06	0.10	0.10	0.12	0.04	0.03
Commercial real estate	0.09	0.06	0.05	0.07	0.13	0.06	0.09	0.17	0.11	0.03	0.07
Multifamily residential real estate	0.02	0.06	0.03	0.02	0.02	0.04	0.02	0.04	0.07	0.02	-0.05
Home equity loans	0.24	0.07	0.11	0.38	0.23	0.20	0.29	0.26	0.25	0.26	0.08
Other 1-4 Family residential	0.12	0.05	0.06	0.12	0.15	0.07	0.12	0.22	0.15	0.05	0.09
Commercial and industrial loans	1.05	0.48	0.58	0.96	1.14	0.83	1.09	1.02	1.56	0.76	1.53
Loans to individuals	2.48	0.75	1.46	3.00	2.57	2.97	1.81	1.38	2.72	0.87	3.64
Credit card loans	4.69	2.84	6.31	5.81	4.37	4.82	4.02	4.66	4.64	2.35	4.89
Other loans to individuals	1.12	0.68	0.73	1.16	1.23	1.25	1.09	1.02	1.03	0.82	1.30
All other loans and leases (including farm)	0.36	0.20	0.31	0.44	0.36	0.21	0.22	0.51	0.38	0.34	1.16



Memo: Commercial RE loans not secured by RE	0.19	0.96	0.57	0.19	0.17	0.34	0.13	0.20	0.14	0.29	0.06
<b>Loans Outstanding (in billions)</b>											
All real estate loans	\$1,737.7	\$81.4	\$335.1	\$312.6	\$1,008.7	\$363.3	\$559.6	\$372.4	\$136.6	\$86.2	\$219.5
Construction and development	184.6	7.7	39.9	41.3	95.9	18.2	67.3	39.8	14.7	13.4	31.2
Commercial real estate	479.0	23.0	125.9	107.7	222.4	80.8	145.2	105.5	37.7	31.6	78.2
Multifamily residential real estate	60.6	1.8	11.3	12.6	34.8	15.2	15.3	14.4	4.1	2.4	9.2
Home equity loans	135.2	2.1	14.2	18.5	100.3	27.2	45.9	38.5	7.8	1.4	14.4
Other 1-4 Family residential	808.4	36.4	129.9	127.8	514.2	189.6	275.8	165.4	61.6	33.5	82.4
Commercial and industrial loans	1,025.9	24.7	94.0	126.1	781.0	344.5	264.1	213.8	64.1	37.1	102.4
Loans to individuals	610.6	18.3	60.3	101.2	430.9	232.2	136.1	87.6	47.9	22.7	84.1
Credit card loans	226.3	0.5	7.3	38.1	180.3	109.8	34.1	7.9	20.4	0.6	53.5
Other loans to individuals	384.3	17.8	53.0	63.0	250.5	122.4	102.1	79.7	27.5	22.0	30.7
All other loans and leases (including farm)	487.6	17.1	27.7	35.3	407.5	198.0	107.7	96.3	40.9	10.1	34.5
Memo: Commercial RE loans not secured by RE	47.3	0.3	1.4	3.6	42.0	11.6	22.1	4.9	2.3	0.5	6.0
<b>Memo: Other Real Estate Owned (in millions)</b>											
All other real estate owned	\$3,202.6	\$270.5	\$778.9	\$450.2	\$1,703.0	\$711.3	\$1,145.0	\$474.2	\$256.9	\$251.9	\$363.2
Construction and development	288.5	29.5	142.3	55.1	61.7	33.0	115.8	41.0	36.1	29.4	33.1
Commercial real estate	1,452.9	120.6	333.8	209.4	789.1	327.2	565.4	158.1	98.1	118.4	185.7
Multifamily residential real estate	66.2	4.6	22.9	10.0	28.8	9.5	15.5	12.8	4.2	3.2	21.0
1-4 Family residential	1,149.4	89.0	246.0	170.1	644.3	182.1	437.2	254.7	82.3	80.1	113.0
Farmland	85.1	26.9	33.7	4.6	19.9	1.2	11.2	7.6	36.1	20.9	8.2
Other real estate owned in foreign offices	160.5	0.0	0.2	1.1	159.2	158.3	0.0	0.0	0.0	0.0	2.2
* Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status.										N/A - Not Available	



## Quarterly Net Income

\$ Billions

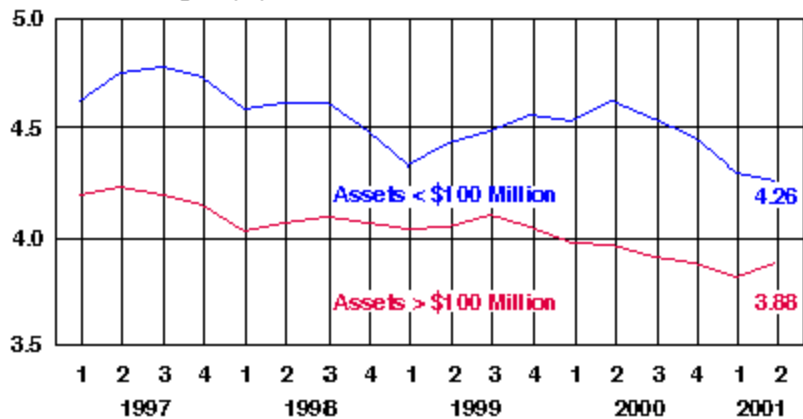
1997 - 2001



## Quarterly Net Interest Margins, Annualized

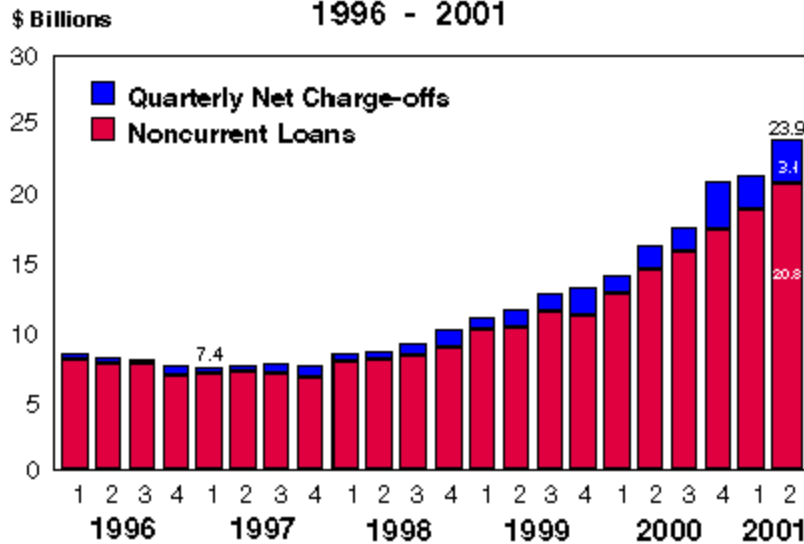
1997-2001

Net Interest Margins (%)

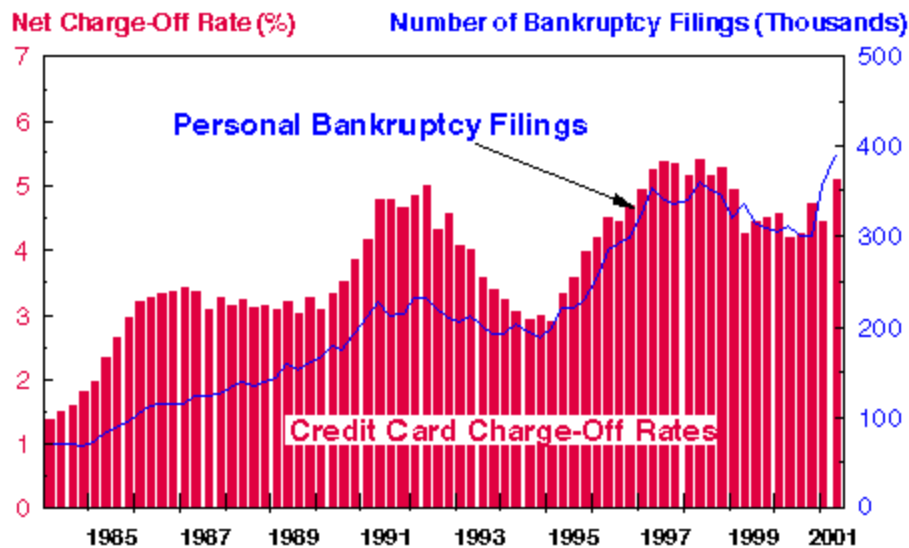




### Credit Quality of Commercial Banks' C&I Loans 1996 - 2001



### Credit Card Loss Rates and Personal Bankruptcy Filings 1984 - 2001





## Commercial and Industrial Loans to Small Businesses

1997 - 2001

\$ Billions

As of June 30

