

PRELIMINARY BANK EARNINGS REPORT -- SECOND QUARTER, 2002

- **EARNINGS CLIMB TO RECORD-HIGH \$23.4 BILLION**
- **HIGHER NONINTEREST INCOME, NONRECURRING GAINS LIFT PROFITS**
- **ASSET GROWTH SETS QUARTERLY RECORD**
- **NET INTEREST MARGINS IMPROVE AT COMMUNITY BANKS**
- **TROUBLED COMMERCIAL & INDUSTRIAL LOANS CONTINUE TO RISE**

Improved Profitability Is Widespread

Continued strength in consumer loan demand, plus a favorable interest-rate environment outweighed the negative effects of weakness in commercial loans for banks in the second quarter of 2002. Commercial banks' earnings rose to \$23.4 billion in the second quarter, eclipsing the quarterly earnings record of \$21.7 billion that was set in the first quarter by \$1.7 billion (7.8 percent). Improved noninterest income, lower provisions for loan losses, increased gains from securities sales, and relatively low growth in noninterest expenses all contributed to the earnings record. Second-quarter earnings were \$4.3 billion (22.8 percent) higher than in the same quarter of last year. Net interest income was \$5.6 billion (10.5 percent) higher than a year ago, noninterest income was up by \$3.6 billion (9.1 percent), and gains from securities sales and other extraordinary items added \$480 million (135.6 percent) more to after-tax earnings. While the industry's loan-loss provisions were \$696 million (6.0 percent) below the level of the first quarter, they were still \$2.0 billion (22.7 percent) more than in the second quarter of 2001, limiting the year-to-year improvement in net income. The average return on assets (ROA) rose to 1.41 percent in the second quarter, matching the all-time high reached in the third quarter of 1999. The industry's ROA was 1.33 percent in the first quarter and 1.21 percent in the second quarter of 2001. Almost two out of every three commercial banks (62.8 percent) reported an ROA of 1 percent or higher in the second quarter, and a similar proportion (62.1 percent) reported a higher quarterly ROA than a year ago.

Diversification Is Evident In Banking Profits

A combination of strength in both transaction-based revenues and market-sensitive revenues contributed to the improvement in noninterest income. Higher securitization income at credit-card lenders, continued growth in service charges on deposit accounts, and increased income from trading activities were the main areas of strength. Income from securitization activities totaled \$4.6 billion, an increase of \$942 million (25.4 percent) over the second quarter of 2001. Service charges on deposit accounts added \$7.5 billion to noninterest revenues, \$709 million (10.5 percent) more than a year earlier. Trading revenue was \$657 million (24.2 percent) higher. Higher net interest income (up \$5.6 billion, or 10.5 percent) was partly the result of wider net interest margins in a more favorable interest-rate environment. The overall low level of interest rates contributed to loan growth, while the steep yield curve helped net interest margins. The industry's net interest margin of 4.11 percent was 8 basis points lower than in the first quarter, but was 21 basis points above the level of 2001's second quarter. After four successive quarters of no improvement, average margins at commercial banks with less than \$100 million in assets rose for the first time in two years, increasing by 14 basis points, to 4.40 percent, from 4.26 percent in both the first quarter and in the second quarter of 2001.

Favorable Rate Environment Helps Year-To-Year Comparisons

In the first six months of 2002, commercial banks earned \$45.3 billion, a \$6.5-billion (16.7 percent) improvement over their performance in the first half of 2001. The industry's six-month ROA was 1.37 percent, up from 1.23 percent a year earlier. A majority of banks - 59.8 percent - reported higher ROAs in the first half of 2002, compared to the same period in 2001, and more than two out of three banks (69.1 percent) reported higher net income. One of the main contributions to the earnings improvement came from net interest income, which was up by \$12.8 billion (12.2 percent). A more favorable interest rate environment helped lift net interest margins in the first six months of 2002. The average margin was 4.13 percent, compared to 3.86 percent a year earlier. Increased noninterest income also contributed to the higher earnings. Noninterest revenues were \$5.2 billion (6.5 percent) more than in the first half of 2001. Service charges on deposit accounts were up by \$1.6 billion (12.2 percent), and securitization income was \$2.0 billion (27.5 percent) higher. The improvement in earnings was limited by a \$5.6-billion (33.6 percent) increase in provisions for loan losses. More than one-fourth of this increase (\$1.6 billion, or 27.5 percent) was attributable to higher provisions for credit losses in banks' foreign operations. Even with these increased credit expenses, net income from international operations was down by only \$44 million (1.2 percent), compared to the first half of 2001.

Commercial Loans Still Lead A Rising Trend In Charge-Offs

The quarter's net charge-offs of \$10.5 billion were \$2.6 billion (32.9 percent) higher than a year earlier. Commercial and industrial (C&I) loans registered the largest increase; charge-offs were up by \$1.1 billion (33.5 percent), as net losses on C&I loans to non-U.S. borrowers increased by \$405 million (206 percent). Other loan categories had smaller increases in net charge-offs. Credit-card charge-offs were \$894 million (31.6 percent) above the level of a year ago, and charge-offs on other consumer loans were \$256 million (24.7 percent) higher. Net charge-offs on leases increased by \$200 million (89.0 percent).

Credit Quality Of Domestic C&I Loans Shows Positive Signs

Growth in noncurrent loans (loans 90 days or more past due or in nonaccrual status) slowed for the second consecutive quarter. Total noncurrent loans increased by only \$1.3 billion, the smallest quarterly increase since the fourth quarter of 1999, and would have declined but for a \$1.7-billion (41.2 percent) jump in noncurrent loans to non-U.S. C&I borrowers. Noncurrent loans to domestic C&I borrowers declined for the first time since the second quarter of 1998, falling by \$79.4 million (0.4 percent). After rising by \$294 million in the first quarter, noncurrent loans to foreign governments and official institutions increased by an additional \$119 million (36.5 percent) in the second quarter. The percentage of commercial banks' total loans that were noncurrent remained unchanged at 1.47 percent, marking the first time since the fourth quarter of 1999 that the industry's noncurrent rate did not increase.

Reserves Fall, Equity Grows

Commercial banks' reserves for loan losses fell by \$748 million in the second quarter, the first time in three years (since the second quarter of 1999) that reserves have declined. In contrast, equity capital registered fairly robust growth, rising by \$19.4 billion (3.2 percent), with retained earnings and accumulated comprehensive income¹ contributing almost equal shares (\$9.3 billion and \$9.7 billion, respectively) of the increase. A substantial increase in assets caused the industry's equity-capital-to-assets ratio to dip slightly during the quarter, from the 61-year high of 9.30 percent to 9.25 percent.

Surge In Refinancing Helps Propel Industry Growth

Total assets increased by \$245.1 billion (3.8 percent) in the second quarter, after declining by

\$64.8 billion in the first quarter. This is the largest quarterly increase in industry assets on record, surpassing the \$222.1-billion increase posted by the industry in the fourth quarter of 1999. Total loans and leases grew by \$78.3 billion (2.0 percent) during the quarter. Assets in trading accounts increased by \$66.4 billion (21.1 percent), as revaluation gains grew by \$35.1 billion. Foreign office assets increased by \$71.3 billion (9.7 percent). Reflecting the continued strength in mortgage refinancing activity, banks' holdings of mortgage-backed securities increased by \$45.4 billion (7.4 percent), while their residential mortgage loans rose by \$30.5 billion (3.8 percent). During the 12 months ending June 30, commercial banks' mortgage-backed securities grew by \$152.7 billion (30.0 percent). Home equity loans continued to exhibit strong growth, rising by \$21.8 billion (13.1 percent) in the quarter. C&I loans declined for the sixth consecutive quarter, falling by \$27.5 billion (2.9 percent). The industry's C&I loan portfolio is now \$113.2 billion (10.8 percent) below its peak level at the end of 2000. Annual data on C&I loans to small businesses show that during the 12 months ending June 30, these loans increased by \$7.7 billion (3.2 percent), while larger C&I loans fell by \$96.8 billion (12.3 percent).

Savings Deposit Growth Slows, But Remains Strong

The largest share of funding for the increase in bank assets came from savings deposits, which grew by \$50.9 billion (2.6 percent). Over the past 12 months, savings deposits have increased by \$325.5 billion (19.2 percent). Deposits in foreign offices ended a string of three consecutive quarterly declines, rising by \$37.4 billion (6.2 percent) in the second quarter. Short-term nondeposit borrowings were another significant contributor to commercial bank funding. Other borrowed money with a remaining maturity of less than one year increased by \$35.6 billion (12.4 percent). Banks increased their borrowings from Federal Home Loan Banks by \$13.8 billion during the quarter, with all of the growth occurring in longer-term (over 1 year) borrowings. Trading liabilities jumped by \$46.4 billion (26.1 percent), as revaluation losses on derivatives contracts increased by \$43.5 billion (43.6 percent). Brokered deposits fell by \$1.3 billion (0.5 percent) during the quarter, only the second time in the last 14 quarters that these deposits have decreased.

Number Of Insured Commercial Banks Falls Below 8,000

The number of insured commercial banks reporting financial results declined from 8,005 to 7966 during the second quarter. One insured commercial bank failed during the quarter, while 66 were absorbed in mergers with other institutions. There were 26 new banks reporting financial results. The number of commercial banks on the FDIC's "Problem List" increased from 102 to 115 during the quarter, but assets of "problem" banks declined from \$36.7 billion to \$35.9 billion.

August 29, 2002

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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

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Table IV-A. Second Quarter 2002, FDIC-Insured Commercial Banks

Table V-A. Loan Performance, FDIC-Insured Commercial Banks

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Chart 1. Industry Earnings Continue to Exhibit Strength

Chart 2. Community Banks' Margins Show Improvement

Chart 3. Credit Card Losses Remain High

Chart 4. Small Business Loans Grew Slowly, While Large Business Lending Contracted

Chart 5. Troubled C&I Loans are Still Growing

Chart 6. Savings Accounts Have Been the Source of Recent Deposit Growth

FOOTNOTES

¹Accumulated comprehensive income includes net unrealized gains/losses on available-for-sale securities, accumulated net gains/losses on cash flow hedges, cumulative foreign currency translation adjustments, and minimum pension liability adjustments.

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

	2002*	2001*	2001	2000	1999	1998	1997
Return on assets (%)	1.37	1.23	1.15	1.19	1.31	1.19	1.23
Return on equity (%)	14.86	14.24	13.05	14.02	15.31	13.93	14.68
Core capital (leverage) ratio (%)	8.00	7.73	7.79	7.70	7.79	7.54	7.56
Noncurrent assets plus other real estate owned to assets (%)	0.96	0.82	0.92	0.74	0.63	0.65	0.66
Net charge-offs to loans (%)	1.10	0.78	0.95	0.67	0.61	0.67	0.64
Asset growth rate (%)	6.12	6.29	5.20	8.88	5.38	8.53	9.54
Net interest margin (%)	4.13	3.86	3.90	3.95	4.07	4.07	4.21
Net operating income growth (%)	16.75	6.52	-1.97	1.80	20.42	2.26	12.42
Number of institutions reporting	7,966	8,178	8,080	8,315	8,579	8,773	9,142
Percentage of unprofitable institutions (%)	6.24	7.23	8.06	7.34	7.51	6.11	4.85
Number of problem institutions	115	80	95	76	66	69	71
Assets of problem institutions (in billions)	\$36	\$17	\$36	\$17	\$4	\$5	\$5
Number of failed/assisted institutions	7	2	3	6	7	3	1

* 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 2002	1st Quarter 2002	2nd Quarter 2001	%Change 01:2-02:2
Number of institutions reporting	7,966	8,005	8,178	-2.6
Total employees (full-time equivalent)	1,738,607	1,722,882	1,690,443	2.8
CONDITION DATA				
Total assets	\$6,749,377	\$6,504,319	\$6,360,020	6.1
Loans secured by real estate	1,886,944	1,811,262	1,736,990	8.6
Commercial & industrial loans	938,744	966,237	1,027,834	-8.7
Loans to individuals	662,451	649,140	610,682	8.5
Farm loans	47,650	45,083	49,070	-2.9
Other loans & leases	439,592	425,420	437,194	0.5
Less: Unearned income	3,830	3,845	2,768	38.4
Total loans & leases	3,971,553	3,893,297	3,859,003	2.9
Less: Reserve for losses	74,329	75,077	65,757	13.0
Net loans and leases	3,897,222	3,818,221	3,793,246	2.7
Securities	1,237,106	1,185,938	1,056,279	17.1
Other real estate owned	3,874	3,810	3,204	20.9
Goodwill and other intangibles	129,574	131,797	103,447	25.3
All other assets	1,481,598	1,364,547	1,403,843	5.5
Total liabilities and capital	6,749,377	6,504,319	6,360,020	6.1
Noninterest-bearing deposits	827,151	805,433	753,533	9.8
Interest-bearing deposits	3,620,741	3,546,774	3,491,194	3.7
Other borrowed funds	1,191,318	1,136,083	1,135,921	4.9
Subordinated debt	93,716	92,983	89,580	4.6
All other liabilities	392,199	318,493	332,689	17.9
Equity capital	624,001	604,555	557,102	12.0
Loans and leases 30-89 days past due	46,529	49,060	46,778	-0.5
Noncurrent loans and leases	58,511	57,188	48,684	20.2
Restructured loans and leases	1,635	1,871	1,004	62.9
Direct and indirect investments in real estate	270	259	267	0.9
1-4 Family residential mortgages	1,012,888	960,579	943,806	7.3
Mortgage-backed securities	661,378	615,947	508,638	30.0
Earning assets	5,796,790	5,619,541	5,478,426	5.8
Long-term assets (5+ years)	1,397,934	1,324,907	1,241,881	12.6
Volatile liabilities	2,128,534	2,043,717	2,157,858	-1.4
Foreign office deposits	640,905	603,522	682,411	-6.1

FHLB Advances		217,790		204,035		184,098		1.8
Unused loan commitments		5,183,170		5,066,647		4,646,279		11.6
Derivatives		50,587,353		46,508,824		48,212,888		4.9
INCOME DATA	Preliminary First Half 2002	First Half 2001	% Change	Preliminary 2nd Quarter 2002	2nd Quarter 2001	%Change 01:2-02:2		
Total interest income	\$179,778	\$213,515	-15.8	\$90,330	\$104,315	-13.4		
Total interest expense	62,157	108,695	-42.8	31,561	51,113	-38.3		
Net interest income	117,621	104,820	12.2	58,768	53,202	10.5		
Provision for loan and lease losses	22,424	16,782	33.6	10,853	8,847	22.7		
Total noninterest income	84,192	79,029	6.5	42,621	39,050	9.1		
Total noninterest expense	113,402	110,026	3.1	57,041	55,202	3.3		
Securities gains (losses)	1,722	2,031	-15.2	1,013	861	17.6		
Applicable income taxes	22,435	19,890	12.8	11,220	9,951	12.8		
Extraordinary gains, net	35	-350	N/M	156	-17	N/M		
Net income	45,310	38,831	16.7	23,444	19,097	22.8		
Net charge-offs	21,619	14,887	45.2	10,544	7,934	32.9		
Cash dividends	33,900	25,893	30.9	14,169	12,519	13.2		
Net operating income	44,108	37,780	16.8	22,610	18,545	21.9		
N/M - Not meaningful								

TABLE III-A. First Half 2002, FDIC-Insured Commercial Banks

	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	Central	Mid-west	South-west	West	
<i>First Half Preliminary (The way it is...)</i>												
Number of institutions reporting	7,966	4,374	3,194	320	78	634	1,371	1,708	2,074	1,315	864	
Total assets (in billions)	\$6,749.4	\$219.6	\$831.5	\$934.9	\$4,763.4	\$2,323.3	\$1,658.3	\$1,379.0	\$377.0	\$280.1	\$731.8	
Total deposits (in billions)	4,448.1	185.2	677.7	638.6	2,946.7	1,457.1	1,126.1	882.0	253.5	227.9	501.6	
Net income (in millions)	45,310	1,136	5,107	6,802	32,265	13,679	11,448	9,268	3,080	1,823	6,012	
% of unprofitable institutions	6.2	9.5	2.4	1.6	2.6	9.9	8.5	4.5	4.1	4.9	10.5	
% of institutions with earnings gains	69.0	63.3	75.9	75.3	76.9	70.5	74.8	72.5	66.9	64.7	63.1	
Performance ratios (annualized, %)												
Yield on earning assets	6.32	6.84	6.85	6.50	6.15	6.18	6.22	6.10	7.27	6.49	6.78	
Cost of funding earning assets	2.18	2.52	2.41	2.18	2.12	2.38	2.14	2.23	2.20	2.00	1.68	
Net interest margin	4.13	4.32	4.44	4.32	4.03	3.80	4.09	3.87	5.07	4.49	5.11	
Noninterest income to earning assets	2.96	1.22	1.64	2.66	3.36	3.85	2.66	2.20	3.04	1.64	2.87	
Noninterest expense to earning assets	3.99	3.79	3.78	3.95	4.04	4.41	3.89	3.28	4.44	3.80	4.10	
Loan and lease loss provision to assets	0.68	0.27	0.35	0.54	0.78	0.91	0.42	0.54	0.94	0.31	0.79	
Net operating income to assets	1.33	1.03	1.25	1.45	1.33	1.17	1.36	1.31	1.63	1.29	1.67	
Pretax return on assets	2.04	1.36	1.76	2.22	2.09	1.82	2.08	2.02	2.41	1.82	2.63	
Return on assets	1.37	1.05	1.26	1.48	1.38	1.21	1.40	1.36	1.65	1.32	1.67	
Return on equity	14.86	9.55	12.89	14.70	15.57	13.90	14.73	15.89	16.51	13.53	15.66	
Net charge-offs to loans and leases	1.10	0.28	0.37	0.82	1.34	1.75	0.65	0.80	1.33	0.37	1.17	
Loan and lease loss provision to net charge-offs	103.72	156.87	145.12	105.65	100.73	102.02	104.61	102.51	104.48	144.73	105.65	

Efficiency ratio	55.03	68.18	61.84	55.65	53.35	56.4 6	56.2 7	53.0 2	53. 17	61.4 4	50. 63
Condition Ratios (%)											
Earning assets to total assets	85.89	91.58	91.47	90.03	83.84	82.8 5	85.6 1	88.1 0	90. 45	89.9 1	88. 08
Loss allowance to:											
Loans and leases	1.87	1.44	1.45	1.81	1.99	2.25	1.58	1.75	1.7 7	1.51	1.9 8
Noncurrent loans and leases	127.03	123.0 5	151.15	170.94	118.5 1	110. 78	133. 85	119. 67	159 .12	146. 05	179 .31
Noncurrent assets plus other real estate owned to assets	0.96	0.88	0.75	0.74	1.04	1.12	0.81	1.04	0.8 4	0.73	0.7 8
Equity capital ratio	9.25	11.12	9.91	10.30	8.84	8.64	9.50	8.66	10. 31	10.0 2	10. 84
Core capital (leverage) ratio	8.00	10.72	9.33	9.07	7.42	7.48	7.93	7.82	9.3 9	8.80	9.1 5
Tier 1 risk-based capital ratio	10.14	15.89	13.04	12.46	9.05	9.95	9.62	9.33	12. 54	12.9 4	11. 40
Total risk-based capital ratio	12.95	17.00	14.24	14.38	12.34	12.9 8	12.4 9	12.4 3	13. 90	14.3 8	14. 02
Net loans and leases to deposits	87.61	72.37	78.92	89.10	90.25	77.6 2	89.5 1	99.8 7	99. 70	70.8 2	92. 34
Structural Changes (YTD)											
New Charters	42	41	1	0	0	6	12	3	5	4	12
Banks absorbed by mergers	152	63	73	12	4	18	39	20	25	26	24
Failed banks	7	4	2	1	0	1	2	2	0	1	1
PRIOR FIRST HALVES (The way it was)											
Number of institutions											
2001	8,178	4,685	3,101	313	79	653	1,41 3	1,74 4	2,1 18	1,35 6	894
1999	8,673	5,301	2,978	317	77	684	1,43 9	1,88 0	2,2 43	1,48 5	942
1997	9,308	6,047	2,888	306	67	738	1,54 3	2,04 8	2,3 57	1,64 8	974
Total assets (in billions)											
2001	\$6,360. 0	\$227. 9	\$789.8	\$899.6	\$4,44 2.6	\$2,2 33.6	\$1,6 12.5	\$1,1 44.2	\$40 6.9	\$26 4.2	\$69 8.6
1999	5,468.6	246.9	736.6	872.7	3,612 .3	1,91 0.4	1,23 3.1	901. 7	374 .6	304. 3	744 .5
1997	4,771.4	273.5	711.3	916.0	2,870 .6	1,81 0.7	855. 1	795. 9	289 .3	342. 1	678 .4
Return on assets (%)											

2001	1.23	0.98	1.24	1.32	1.22	1.18	1.21	1.05	1.32	1.17	1.73
1999	1.28	1.08	1.38	1.56	1.21	1.15	1.27	1.31	1.56	1.18	1.50
1997	1.24	1.24	1.36	1.25	1.21	1.16	1.29	1.26	1.45	1.24	1.31
Net charge-offs to loans & leases (%)											
2001	0.78	0.23	0.33	0.84	0.88	0.92	0.59	0.60	0.94	0.36	1.21
1999	0.58	0.21	0.33	0.74	0.62	0.75	0.44	0.35	0.71	0.42	0.72
1997	0.60	0.21	0.35	0.99	0.55	0.69	0.43	0.44	0.79	0.30	0.83
Noncurrent assets plus OREO to assets (%)											
2001	0.82	0.79	0.69	0.73	0.87	0.81	0.88	0.86	0.75	0.70	0.76
1999	0.64	0.75	0.61	0.62	0.65	0.73	0.57	0.58	0.61	0.66	0.63
1997	0.69	0.79	0.72	0.82	0.64	0.75	0.61	0.62	0.69	0.60	0.79
Equity capital ratio (%)											
2001	8.76	11.13	9.80	9.50	8.30	8.14	9.13	8.10	9.84	9.68	9.99
1999	8.52	10.82	9.41	9.53	7.94	7.83	8.89	8.36	8.72	8.72	9.72
1997	8.44	10.84	9.69	9.14	7.68	7.38	8.93	8.56	9.21	9.54	9.66
REGIONS:											
Northeast - Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, US 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 2002, 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	Southeast	Central	Midwest	Southeast	West
<i>June 30, 2002 (The way it is...)</i>											
Number of institutions reporting	7,966	4,374	3,194	320	78	634	1,371	1,708	2,074	1,315	864
Total assets (in billions)	\$6,749.4	\$219.6	\$831.5	\$934.9	\$4,763.4	\$2,323.3	\$1,658.3	\$1,379.0	\$377.0	\$280.1	\$731.8
Total deposits (in billions)	4,448.1	185.2	677.7	638.6	2,946.7	1,457.1	1,126.1	882.0	253.5	227.9	501.6
Net income (in millions)	23,444	594	2,669	3,411	16,769	7,178	5,845	4,722	1,573	961	3,166
% of unprofitable institutions	6.7	9.8	2.8	3.4	2.6	9.8	9.3	5.0	4.9	4.9	10.4
% of institutions with earnings gains	702	65.8	75.8	73.4	75.6	72.6	75.6	71.8	67.5	68.4	66.0
Performance Ratios (annualized, %)											
Yield on earning assets	6.31	6.83	6.83	6.46	6.16	6.21	6.17	6.08	7.26	6.48	6.78
Cost of funding earning assets	2.21	2.44	2.34	2.14	2.18	2.51	2.12	2.20	2.16	1.94	1.64
Net interest margin	4.11	4.40	4.49	4.32	3.97	3.71	4.06	3.88	5.10	4.54	5.14
Noninterest income to earning assets	2.98	1.25	1.66	2.57	3.40	3.87	2.73	2.21	3.06	1.69	2.80
Noninterest expense to earning assets	3.99	3.81	3.81	3.92	4.04	4.35	3.91	3.34	4.44	3.85	4.12
Loan and lease loss provision to assets	0.65	0.29	0.36	0.51	0.75	0.87	0.42	0.54	0.94	0.31	0.69
Net operating income to assets	1.36	1.08	1.28	1.45	1.37	1.23	1.38	1.29	1.66	1.34	1.71
Pretax return on assets	2.09	1.41	1.81	2.21	2.14	1.84	2.12	2.05	2.45	1.90	2.73
Return on assets	1.41	1.09	1.30	1.47	1.43	1.26	1.43	1.39	1.68	1.38	1.75
Return on equity	15.24	9.92	13.29	14.45	16.10	14.47	15.04	16.05	16.53	14.03	16.16
Net charge-offs to loans and leases	1.07	0.32	0.39	0.78	1.30	1.68	0.69	0.77	1.33	0.36	1.08
Loan and lease loss provision to net charge-offs	102.93	150.55	139.40	104.07	100.03	102.52	98.29	106.51	104.07	146.61	100.20
Efficiency ratio	55.04	67.26	61.49	56.00	53.35	56.12	56.19	53.80	52.64	61.21	51.02
Structural Changes (QTR)											
New charters	26	26	0	0	0	4	5	3	4	3	7
Banks absorbed by mergers	66	32	30	1	3	5	14	11	11	14	11
Failed banks	1	0	1	0	0	1	0	0	0	0	0
PRIOR SECOND QUARTERS (The way it was)											
Return on assets (%)											
2001	1.21	0.95	1.24	1.28	1.20	1.17	1.27	1.02	1.38	1.18	1.39

1999	1.24	1.08	1.30	1.68	1.14	0.98	1.29	1.28	1.60	1.30	1.59
1997	1.24	1.27	1.37	1.23	1.21	1.14	1.28	1.25	1.50	1.27	1.32
Net charge-offs to loans & leases (%)											
2001	0.83	0.27	0.37	0.95	0.91	0.97	0.62	0.63	1.02	0.39	1.31
1999	0.56	0.24	0.34	0.74	0.57	0.70	0.45	0.31	0.73	0.41	0.68
1997	0.62	0.25	0.38	1.01	0.58	0.72	0.44	0.47	0.84	0.29	0.87

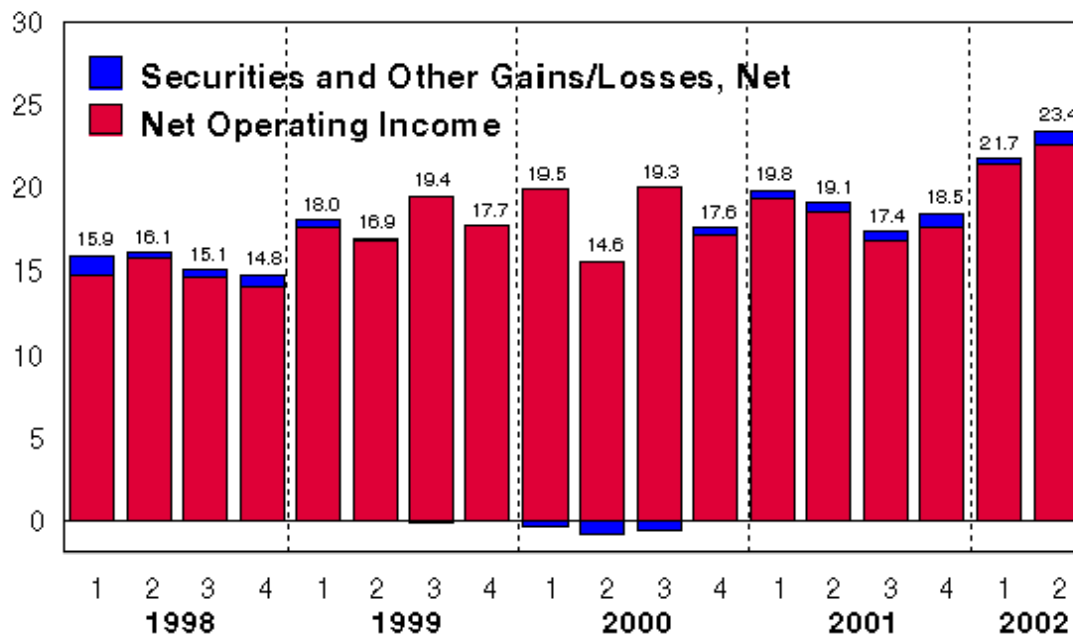
TABLE V-A. Loan Performance, FDIC-Insured Commercial Banks											
	All Institutions	Asset Size Distribution				Geographic Distribution by Region					
		Less than \$100 Million	\$100 Million to \$1 Billion	\$1 Billion to \$10 Billion	Greater than \$10 Billion	East			West		
						North-east	South-east	Central	Mid-west	South-west	West
<i>June 30, 2002</i>											
Percent of Loans 30-89 Days Past Due											
All loans secured by real estate	1.03	1.29	0.92	0.87	1.09	1.07	0.91	1.30	0.98	0.99	0.78
Construction and development	1.03	1.38	0.91	0.94	1.10	0.67	0.65	1.31	1.14	1.08	1.61
Commercial real estate	0.72	0.96	0.73	0.77	0.66	0.76	0.62	0.92	0.84	0.77	0.48
Multifamily residential real estate	0.43	0.66	0.45	0.46	0.40	0.24	0.50	0.63	0.41	0.63	0.22
Home equity loans	0.57	0.75	0.53	0.55	0.57	0.46	0.54	0.68	0.57	0.48	0.52
Other 1-4 Family residential	1.34	1.65	1.24	1.03	1.41	1.26	1.26	1.83	1.13	1.24	0.91
Commercial and industrial loans	1.13	1.81	1.37	1.35	1.04	1.03	1.01	1.26	1.55	1.27	1.18
Loans to individuals	2.05	2.44	2.23	1.97	2.03	2.24	1.85	1.81	2.46	1.81	1.79
Credit card loans	2.55	2.31	5.32	2.46	2.49	2.66	3.48	1.94	2.84	1.40	1.95
Other loans to individuals	1.74	2.44	1.86	1.70	1.70	1.86	1.60	1.80	1.74	1.82	1.53
All other loans and leases (including farm)	0.61	0.97	0.97	0.69	0.57	0.54	0.36	0.79	1.05	0.91	0.63
Total loans and leases	1.17	1.48	1.13	1.13	1.17	1.24	0.99	1.28	1.45	1.16	1.04
Memo: Commercial RE loans not secured by RE	1.00	0.61	0.29	0.76	1.06	0.59	0.47	2.02	1.72	1.91	0.95
Percent of Loans Noncurrent*											
All real estate loans	0.95	0.99	0.83	0.83	1.02	1.09	0.76	1.32	0.73	0.88	0.64
Construction and development	1.08	0.98	0.99	1.12	1.11	1.03	0.96	1.27	0.94	0.82	1.26
Commercial real estate	0.97	1.11	0.91	0.86	1.05	0.94	0.88	1.31	0.92	0.93	0.72
Multifamily residential real estate	0.38	0.65	0.48	0.28	0.38	0.29	0.37	0.50	0.38	0.78	0.22
Home equity loans	0.32	0.30	0.28	0.33	0.32	0.27	0.26	0.43	0.32	0.43	0.27
Other 1-4 Family residential	1.00	0.87	0.74	0.81	1.11	1.10	0.76	1.70	0.55	0.79	0.42
Commercial and industrial loans	2.87	1.82	1.43	1.76	3.28	3.83	2.63	2.47	1.46	1.50	2.28
Loans to individuals	1.41	0.94	0.83	1.08	1.55	2.07	0.76	0.66	1.62	0.69	1.21
Credit card loans	2.04	1.40	3.07	1.94	2.03	2.29	1.86	1.39	2.04	0.85	1.70
Other loans to individuals	1.02	0.93	0.56	0.61	1.20	1.88	0.59	0.56	0.83	0.69	0.39
All other loans and leases (including farm)	0.89	1.31	1.26	0.82	0.85	0.88	0.78	0.85	1.11	1.45	1.06
Total loans and leases	1.47	1.17	0.96	1.06	1.68	2.03	1.18	1.46	1.11	1.03	1.10
Memo: Commercial RE loans not secured by RE	0.79	0.49	0.28	0.64	0.84	0.20	1.28	1.09	1.43	0.33	0.38
Percent of Loans Charged-off (net, YTD)											
All real estate loans	0.15	0.08	0.08	0.13	0.18	0.10	0.11	0.29	0.08	0.09	0.08
Construction and development	0.12	0.13	0.09	0.18	0.12	0.15	0.09	0.16	0.17	0.05	0.14

Commercial real estate	0.14	0.11	0.10	0.16	0.16	0.04	0.09	0.32	0.14	0.11	0.10
Multifamily residential real estate	0.06	0.04	0.04	0.08	0.05	0.06	0.05	0.10	0.00	0.04	0.01
Home equity loans	0.20	0.03	0.04	0.14	0.23	0.05	0.18	0.38	0.10	0.15	0.07
Other 1-4 Family residential	0.14	0.07	0.07	0.09	0.18	0.08	0.12	0.31	0.05	0.09	0.04
Commercial and industrial loans	1.60	0.63	0.64	1.28	1.80	1.81	1.64	1.40	0.80	0.70	1.94
Loans to individuals	3.49	0.83	1.73	2.73	3.93	4.94	1.50	1.86	4.58	0.95	3.72
Credit card loans	7.05	3.75	9.05	5.64	7.23	8.54	4.09	5.40	6.87	3.13	5.14
Other loans to individuals	1.36	0.74	0.82	1.11	1.55	1.81	1.11	1.33	0.45	0.89	1.34
All other loans and leases (including farm)	0.52	0.17	0.34	0.43	0.55	0.59	0.25	0.68	0.21	0.38	0.62
Total loans and leases	1.10	0.28	0.37	0.82	1.34	1.75	0.65	0.80	1.33	0.37	1.17
Memo: Commercial RE loans not secured by RE	0.09	0.79	0.16	0.22	0.08	0.02	0.18	0.10	0.02	0.22	0.03
Loans Outstanding (in billions)											
All real estate loans	\$1,886.9	\$80.6	\$365.2	\$329.4	\$1,111.7	\$376.8	\$579.3	\$454.8	\$12.2	\$94.4	\$260.4
Construction and development	198.6	7.4	45.8	42.5	102.9	21.0	70.4	49.7	10.8	14.7	32.1
Commercial real estate	532.6	24.3	145.5	119.2	243.7	87.3	161.0	125.6	33.1	36.4	89.3
Multifamily residential real estate	69.4	1.9	13.0	14.8	39.8	15.6	17.2	19.1	3.4	2.9	11.1
Home equity loans	188.3	2.4	17.2	21.9	146.9	37.5	58.8	60.9	6.1	1.7	23.3
Other 1-4 Family residential	824.6	34.3	128.1	126.4	535.8	181.3	261.6	190.5	56.3	34.6	100.3
Commercial and industrial loans	938.7	23.1	94.9	115.9	704.9	317.0	227.0	218.7	42.5	37.6	96.0
Loans to individuals	662.5	16.3	55.1	96.1	494.9	266.4	122.9	102.2	63.6	22.0	85.4
Credit card loans	250.4	0.5	6.0	34.1	209.9	125.5	16.5	13.3	41.4	0.6	53.1
Other loans to individuals	412.0	15.9	49.1	62.0	285.0	140.8	106.4	88.9	22.2	21.4	32.3
All other loans and leases (including farm)	487.2	16.1	28.1	38.6	404.5	199.3	95.6	121.1	30.1	10.0	31.1
Total loans and leases	3,975.4	136.1	543.3	579.9	2,716.0	1,159.5	1,024.7	896.8	257.3	164.0	473.0
Memo: Commercial RE loans not secured by RE	38.8	0.3	1.5	3.4	33.6	9.1	11.7	9.0	0.8	0.7	7.4
Memo: Other Real Estate Owned (in millions)											
All other real estate owned	\$3,873.5	\$323.4	\$1,008.0	\$651.9	\$1,890.2	\$584.9	\$1,326.1	\$896.0	\$29.7	\$332.4	\$437.0
Construction and development	351.9	34.3	169.3	74.0	74.3	42.7	119.0	56.9	32.9	45.2	55.1
Commercial real estate	1,806.1	143.2	466.3	329.1	867.5	269.8	696.0	287.2	138.1	168.1	246.9
Multifamily residential real estate	68.9	9.9	39.1	7.4	12.5	11.9	15.2	10.4	13.1	5.8	12.5

1-4 Family residential	1,457.0	110.3	291.0	231.8	823.9	151.8	480.9	531.5	92.2	92.0	108.7
Farmland	79.1	25.7	40.5	7.8	5.0	1.6	14.9	9.9	20.7	21.3	10.6
Other real estate owned in foreign offices	110.5	0.0	1.7	1.8	107.0	107.3	0.0	0.0	0.0	0.0	3.2
*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	

Industry Earnings Continue to Exhibit Strength

\$ Billions

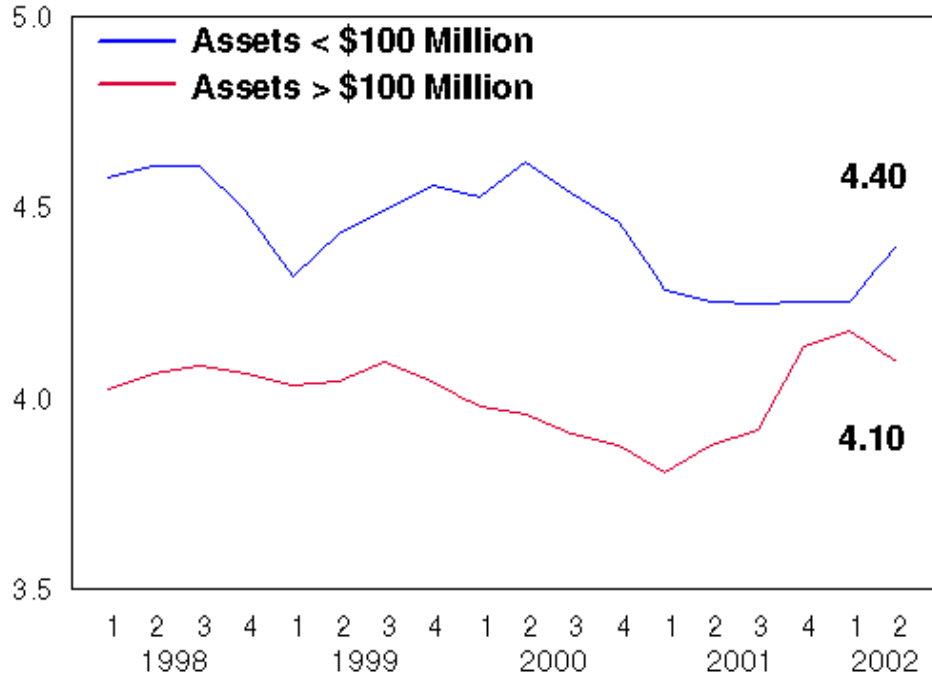


Industry Earnings Continue to Exhibit Strength

Report Date	Net Operating Income (Billions)	Securities and Other Gains/Losses, Net (Billions)
March 31, 1998	14.85	1.06
June 30, 1998	15.72	0.37
September 30, 1998	14.67	0.39
December 31, 1998	14.04	0.72
March 31, 1999	17.61	0.35
June 30, 1999	16.86	0.05
September 30, 1999	19.53	-0.15
December 31, 1999	17.70	0.02
March 31, 2000	19.96	-0.46
June 30, 2000	15.50	-0.86
September 30, 2000	20.02	-0.72
December 31, 2000	17.16	0.46
March 31, 2001	19.31	0.50
June 30, 2001	18.55	0.55
September 30, 2001	16.67	0.70
December 31, 2001	17.60	0.87
March 31, 2002	21.38	0.35
June 30, 2002	22.61	0.83

Community Banks' Margins Show Improvement

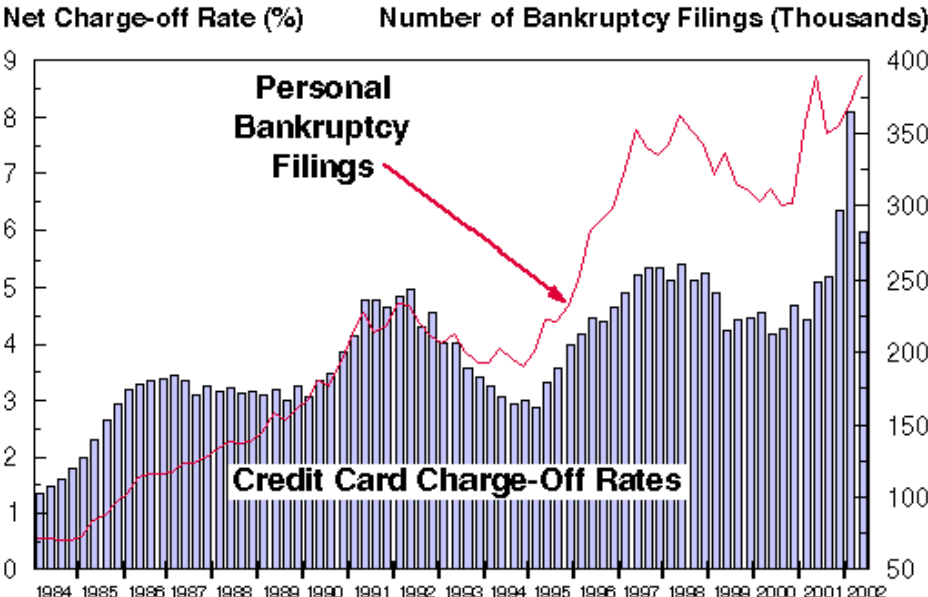
Net Interest Margin (%)



Community Banks' Margins Show Improvement

Report Date	Assets > \$100 Million	Assets < \$100 Million
March 31, 1998	4.03%	4.58%
June 30, 1998	4.07%	4.61%
September 30, 1998	4.09%	4.61%
December 31, 1998	4.07%	4.49%
March 31, 1999	4.04%	4.32%
June 30, 1999	4.05%	4.43%
September 30, 1999	4.10%	4.49%
December 31, 1999	4.05%	4.56%
March 31, 2000	3.98%	4.53%
June 30, 2000	3.96%	4.62%
September 30, 2000	3.91%	4.54%
December 31, 2000	3.88%	4.46%
March 31, 2001	3.81%	4.29%
June 30, 2001	3.88%	4.26%
September 30, 2001	3.92%	4.25%
December 31, 2001	4.14%	4.26%
March 31, 2002	4.18%	4.26%
June 30, 2002	4.10%	4.40%

Credit Card Losses Remain High



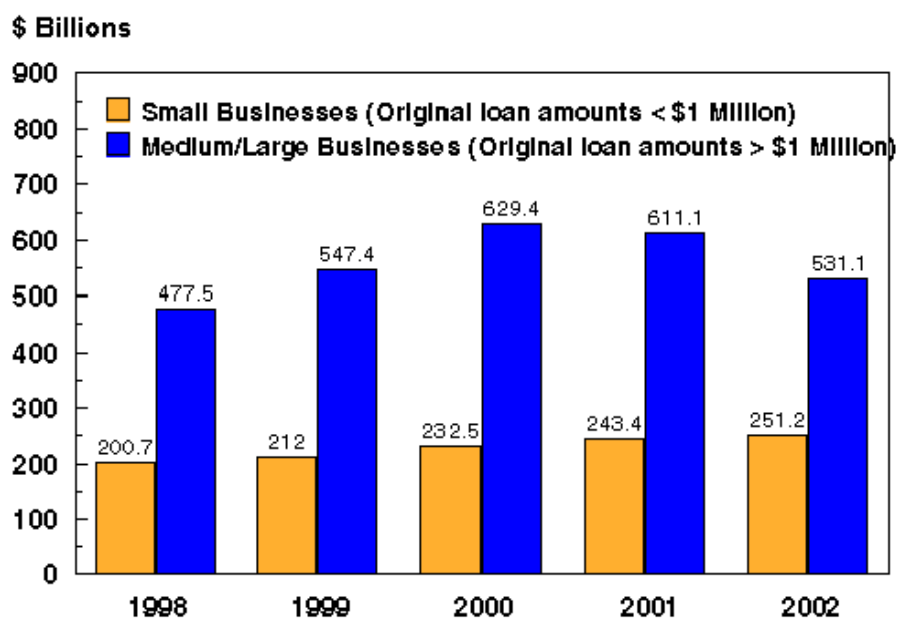
Credit Card Losses Remain High

Report Date	Net Credit Card Charge-Off Rates, %	Personal Bankruptcy Filings (Thousands)
March 31, 1984	1.37%	72
June 30, 1984	1.48%	72
September 30, 1984	1.59%	71
December 31, 1984	1.81%	70
March 31, 1985	1.98%	73
June 30, 1985	2.31%	84
September 30, 1985	2.65%	88
December 31, 1985	2.95%	96
March 31, 1986	3.21%	103
June 30, 1986	3.28%	114
September 30, 1986	3.35%	116
December 31, 1986	3.38%	116
March 31, 1987	3.46%	117
June 30, 1987	3.37%	123
September 30, 1987	3.10%	124
December 31, 1987	3.26%	127
March 31, 1988	3.18%	134
June 30, 1988	3.22%	138
September 30, 1988	3.12%	137
December 31, 1988	3.17%	139
March 31, 1989	3.10%	145
June 30, 1989	3.21%	158
September 30, 1989	3.01%	153
December 31, 1989	3.28%	161
March 31, 1990	3.08%	167
June 30, 1990	3.34%	180
September 30, 1990	3.50%	177
December 31, 1990	3.86%	194
March 31, 1991	4.16%	213
June 30, 1991	4.78%	228
September 30, 1991	4.79%	214
December 31, 1991	4.64%	217
March 31, 1992	4.84%	234
June 30, 1992	4.97%	233

September 30, 1992	4.31%	220
December 31, 1992	4.57%	212
March 31, 1993	4.03%	206
June 30, 1993	4.02%	213
September 30, 1993	3.59%	200
December 31, 1993	3.42%	193
March 31, 1994	3.25%	193
June 30, 1994	3.07%	203
September 30, 1994	2.93%	195
December 31, 1994	3.00%	190
March 31, 1995	2.89%	200
June 30, 1995	3.33%	222
September 30, 1995	3.58%	221
December 31, 1995	3.98%	232
March 31, 1996	4.18%	253
June 30, 1996	4.48%	283
September 30, 1996	4.41%	290
December 31, 1996	4.66%	298
March 31, 1997	4.92%	321
June 30, 1997	5.22%	353
September 30, 1997	5.37%	340
December 31, 1997	5.34%	335
March 31, 1998	5.15%	342
June 30, 1998	5.42%	362
September 30, 1998	5.15%	351
December 31, 1998	5.26%	343
March 31, 1999	4.93%	322
June 30, 1999	4.25%	336
September 30, 1999	4.44%	315
December 31, 1999	4.48%	310
March 31, 2000	4.55%	303
June 30, 2000	4.18%	312
September 30, 2000	4.27%	301
December 31, 2000	4.70%	302
March 31, 2001	4.44%	357
June 30, 2001	5.11%	390

September 30, 2001	5.20%	350
December 31, 2001	6.34%	355
March 31, 2002	8.09%	369
June 30, 2002	5.98%	391

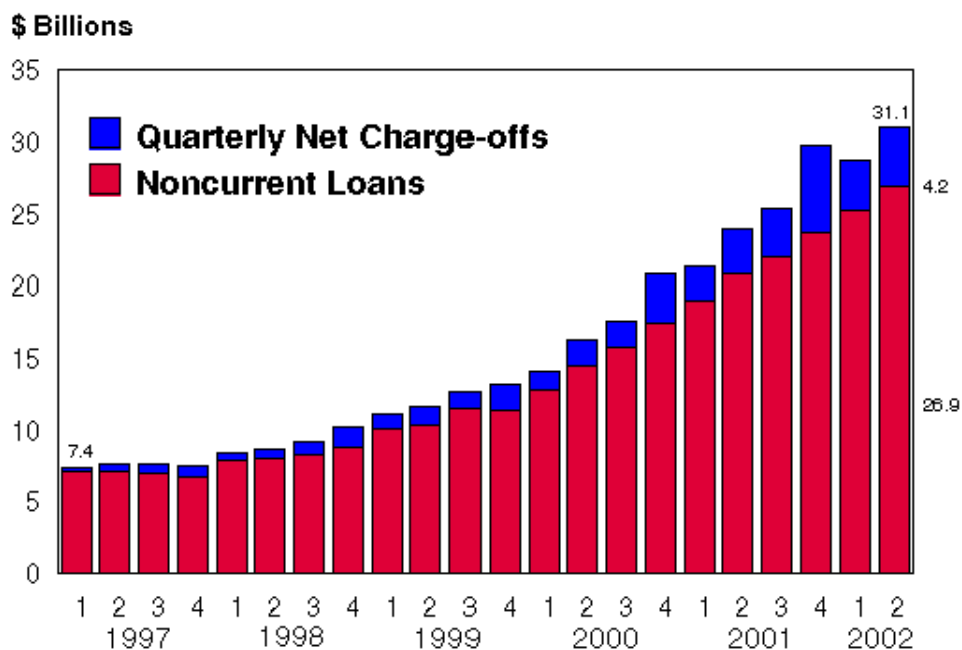
Small Business Loans Grew Slowly, While Large Business Lending Contracted



Small Business Loans Grew Slowly, While Large Business Lending Contracted

Report Date	Small Businesses-Original loan amounts<\$1 Million (Billions)	Medium/Large Businesses-Original loan amounts>\$1 Million (Billions)
June 30, 1998	200.7	477.5
June 30, 1999	212.0	547.4
June 30, 2000	232.5	629.4
June 30, 2001	243.4	611.1
June 30, 2002	251.2	531.1

Troubled C&I Loans are Still Growing

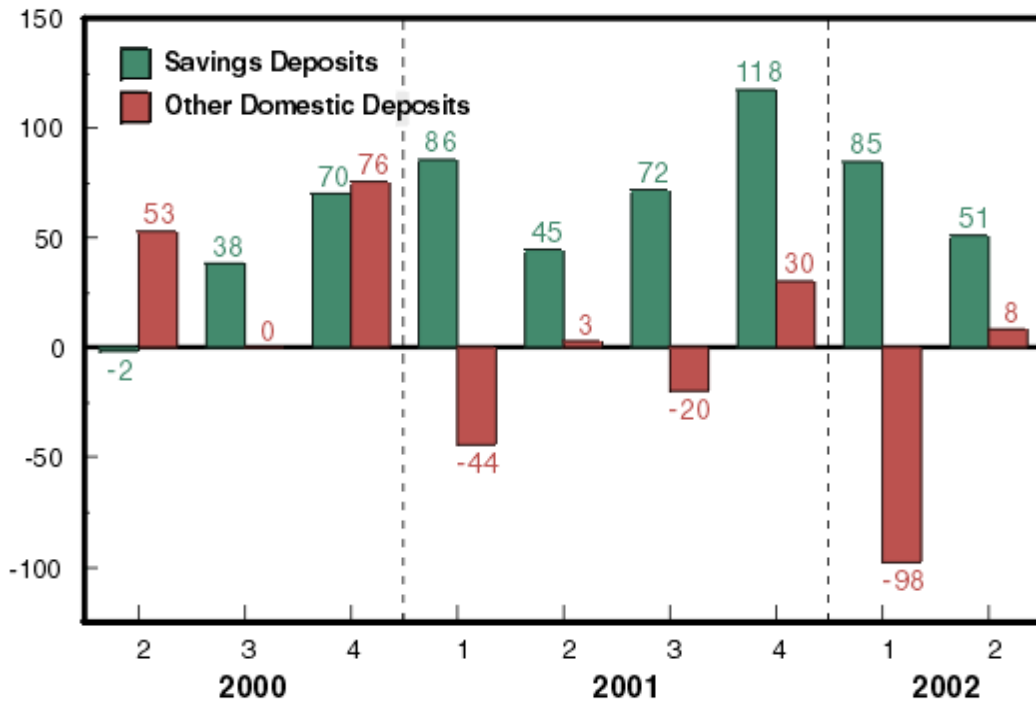


Troubled C&I Loans are Still Growing

Report Date	Quarterly Net Charge-offs (Billions)	Noncurrent Loans (Billions)
March 31, 1997	0.3	7.1
June 30, 1997	0.4	7.2
September 30, 1997	0.6	7.1
December 31, 1997	0.7	6.8
March 31, 1998	0.6	7.9
June 30, 1998	0.7	8.0
September 30, 1998	0.9	8.4
December 31, 1998	1.4	8.9
March 31, 1999	1.0	10.2
June 30, 1999	1.3	10.4
September 30, 1999	1.3	11.5
December 31, 1999	1.9	11.4
March 31, 2000	1.3	12.8
June 30, 2000	1.8	14.6
September 30, 2000	1.8	15.9
December 31, 2000	3.4	17.5
March 31, 2001	2.4	19.0
June 30, 2001	3.1	20.9
September 30, 2001	3.3	22.0
December 31, 2001	6.0	23.7
March 31, 2002	3.5	25.3
June 30, 2002	4.2	26.9

Savings Accounts Have Been the Source of Recent Deposit Growth

Quarterly Change (\$ Billions)



Savings Accounts Have Been the Source of Recent Deposit Growth

Report Date	Savings Deposits (Billions)	Other Domestic Deposits (Billions)
June 30, 2000	-2	53
September 30, 2000	38	0
December 31, 2000	70	76
March 31, 2001	86	-44
June 30, 2001	45	3
September 30, 2001	72	-20
December 31, 2001	118	30
March 31, 2002	85	-98
June 30, 2002	51	8