THE FDIC PRELIMINARY BANK EARNINGS REPORT
FOURTH QUARTER, 2001

- **BEST FOURTH QUARTER EVER HELPS FULL-YEAR EARNINGS TO RECORD LEVEL**
- **LOWER INTEREST RATES BOOST SECURITIES GAINS, NET INTEREST INCOME**
- **RISING LOSS PROVISIONS MIRROR DECLINING ASSET QUALITY INDICATORS**
- **NUMBER AND ASSETS OF "PROBLEM" BANKS SURGE DURING THE QUARTER**
- **DEPOSIT GROWTH PICKS UP MOMENTUM, AS LOAN GROWTH CONTINUES TO SLOW**

Benefits of Lower Interest Rates Outweigh Credit-Quality Problems

Insured commercial banks registered their best fourth quarter earnings ever, reporting $19.0 billion in net income in the final quarter of 2001, an increase of $1.3 billion (7.3 percent) from the fourth quarter of 2000. Key factors in the improvement in industry earnings included sharply lower funding costs and higher gains on sales of securities and other assets. The increase in profits was limited by rising provisions for loan losses and lackluster growth in noninterest revenues. More than half of all commercial banks -- 58.5 percent -- reported higher earnings than in the fourth quarter of 2000, and slightly over half -- 51.3 percent -- reported higher quarterly returns on assets (ROAs). Full-year earnings of $74.6 billion easily eclipsed the previous record of $71.1 billion, set in 1999. Compared to 2000, 58.6 percent of all banks reported higher annual earnings in 2001.

Steeper Yield Curve Helps Net Interest Margins at Larger Banks

As was the case through much of 2001, lower interest rates continued to boost the values of banks' fixed-rate securities in the fourth quarter. Sales of securities yielded gains totaling $1.2 billion in the fourth quarter, compared to $207 million in gains a year earlier. Lower interest rates also helped produce a $26.1-billion (43.0-percent) decline in total interest expense from the fourth quarter of 2000, which contributed to a $6.3-billion (12.2 percent) improvement in net interest income. The improvement in net interest income was concentrated among large banks. The industry's average net interest margin rose to 4.15 percent in the fourth quarter, from 3.93 percent in the third quarter and 3.90 percent in the fourth quarter of 2000. Community banks were not a part of this trend, however. The average margin at banks with less than $100 million in assets did not improve; at 4.26 percent, it was unchanged from the third quarter, and was 21 basis points below the level of a year earlier.

Rising Loss Provisions, Slowing Noninterest Income Limit Earnings Gains

Not all earnings trends were favorable. Loss provisions soared to a 14-year high as asset-quality problems continued to mount. Banks set aside $15.2 billion in provisions for loan losses in the fourth quarter, an increase of $5.0 billion (48.8 percent) from a year earlier. It was the industry's largest quarterly loss provision since the second quarter of 1987. A slowing rate of growth in noninterest revenues also limited the improvement in bank earnings. Noninterest income was only $809 million (2.0 percent) higher than in the fourth quarter of 2000. Noninterest income provided 41.3 percent of banks' net operating revenue (net interest income plus noninterest income) in the fourth quarter, compared to 43.6 percent a year earlier. Net income from banks' overseas operations fell below $1 billion for the first quarter since the fourth quarter of 1998. Income from international operations totaled $988 million, compared to $1.7 billion in the fourth quarter of 2000. The quarterly loan-loss provision for international operations rose to $1.5 billion, from $569 million a year ago.

Nonrecurring Gains Help Deliver New Annual Earnings Record

After a slight dip in 2000, full-year earnings returned to record levels in 2001. For the ninth consecutive year, the industry's ROA surpassed the 1-percent benchmark level. In an environment of falling short-term interest rates and an unfolding recession, the industry's record earnings in 2001 were made possible by $4.5 billion in gains on sales of securities. Net operating income, which excludes these gains and other nonrecurring items, was $832 million (1.2 percent) lower than in 2000. Industry profits also received a boost from an $11.2-billion (5.5-percent) increase in net interest income. Noninterest expenses increased by only 2.9 percent from the previous year, the smallest annual increase since 1942. However, noninterest income growth was also modest; banks reported $157.6 billion in noninterest revenues in 2001, a $4.1-billion (2.7-percent) improvement over 2000. Loan-loss provisions registered their largest annual increase in 12 years, increasing to $43.1 billion from $30.0 billion in 2000. The average ROA of 1.16 percent was down from 1.19 percent in 2000. More than half -- 56.8 percent -- of all commercial banks reported higher net income in 2001, but only 42.1 percent reported higher ROAs.

Large Banks' Commercial Loans, Credit Cards Lead Rise in Troubled Credits

Asset-quality indicators continued to worsen in the fourth quarter. Net charge-offs of $12.7 billion were up by $3.9 billion (44.3 percent) from a year ago, and represent the highest quarterly total ever reported by the industry. Charge-offs of commercial and industrial (C&I) loans totaled $6.0 billion, accounting for 47.3 percent of all loans and leases charged-off in the fourth quarter. C&I charge-offs were $2.6 billion (77.1 percent) higher than in the fourth quarter of 2000. Charge-offs of credit-card loans also rose in the fourth quarter. Banks charged-off $3.5 billion in credit-card loans during the quarter, $724 million (25.8 percent) more than a year earlier, as the net charge-off rate on the industry's credit-card portfolio rose to a record-high 6.26 percent. Higher charge-offs were also reported in leases (up $198 million from a year earlier), commercial real estate loans (up $191 million), construction and development loans (up $74 million), home equity loans (up $72 million), and residential mortgage loans (up $67 million). As has been the case throughout the past two years of declining asset quality, the level of problems and the pace of deterioration continue to be significantly greater at large banks. During the fourth quarter, the overall net charge-off rate on all loans at banks with more than $1 billion in assets was 1.46 percent, up from 1.03 percent a year earlier. At banks with less than $1 billion in assets, the net charge-off rate was 0.57 percent, up from 0.45 percent in the fourth quarter of 2000.

Rising Charge-offs Fail to Halt Increase in Noncurrent Loans

Even with the stepped-up rate of charge-off activity, the level of noncurrent loans (loans 90 days or more past due or in nonaccrual status) increased by $3.2 billion (6.3 percent) during the quarter. During the 12 months ended December 31, commercial banks' noncurrent loans increased by $12.0 billion (27.9 percent). Most of the increase in noncurrent loans during both the quarter and the entire year has occurred in large banks' C&I loan portfolios. Total noncurrent C&I loans increased by $1.7 billion (7.6 percent) during the fourth quarter, and by $6.1 billion (35.1 percent) for all of 2001. These increases represent slightly more than 51 percent of the increases in total noncurrent loans for the quarter and the year. The only other loan categories that showed sizable increases in noncurrent levels during the quarter were consumer loans other than credit cards, where noncurrents increased by $596 million (15.4 percent), and residential mortgage loans, up $671 million (9.4 percent). The percentage of loans that were noncurrent at year-end averaged 0.98 percent at banks with less than $1 billion in assets, compared to 1.50 percent for banks with more than $1 billion in assets.

C&I Loans Decline Further; MBSs, Commercial Real Estate Continue to Grow

Total assets of commercial banks increased by $14.4 billion during the fourth quarter, the smallest increase since industry assets declined in the first quarter of 1999. The small increase in assets was caused primarily by the merger of two large affiliated banks. The merger produced a reduction of roughly $125 billion in assets and liabilities representing transactions between the two banks that were netted-out when their accounts were consolidated . Commercial banks' holdings of C&I loans declined for the fourth consecutive quarter, falling by $27.8 billion (2.8 percent). The decline was concentrated among large banks; more than 80 percent of the decline was attributable to 10 banks. More than half of all banks (51.4 percent) reported increases in their C&I loans during the fourth quarter. Banks' holdings of mortgage-backed securities (MBSs) grew by a record amount for the second consecutive quarter, rising by $53.3 billion, after increasing by $51.6 billion in the third quarter. Commercial real estate loans also continued to grow at a rapid rate, increasing by $13.8 billion (2.8 percent).

Domestic Savings Deposits Show Strong Growth

On the funding side, domestic savings deposits posted a quarterly record increase of $119.4 billion (6.7 percent). Domestic demand deposits registered a strong seasonal increase of $76.8 billion. Commercial bank borrowings from Federal Home Loan Banks rose by $7.1 billion. Deposits in foreign offices declined by $51.2 billion, while time deposits in domestic offices fell by $47.7 billion.

Asset Growth Slowed to 9-Year Low in 2001

For the year, asset growth slowed to 5.2 percent, the lowest annual rate since 1992. Loans increased by only 1.8 percent in 2001, after growing by 9.4 percent in 2000. C&I loans had a net decline for the first year since 1992, falling by $68.5 billion (6.5 percent). Banks continued to reduce their holdings of U.S. Treasury securities, which declined by $30.7 billion (40.5 percent). In the past two years, banks have reduced their Treasury securities by $68.0 billion (60.1 percent). In contrast, banks have been accumulating mortgage-backed securities, and the rate of accumulation jumped sharply in 2001. MBS portfolios increased by $142.3 billion (30.2 percent) during 2001, after rising by $16.8 billion (3.7 percent) in 2000.

Reserve Growth Keeps Pace With Growth in Noncurrent Loans

Banks increased their loss reserves by $3.9 billion (5.7 percent) in the fourth quarter, lifting the industry's reserves-to-loans ratio from 1.77 percent to 1.85 percent. However, the continued strong growth in noncurrent loans meant that the industry's "coverage ratio" remained unchanged from the end of the third quarter, at $1.32 in reserves for every $1.00 of noncurrent loans. Before the fourth quarter, the coverage ratio had declined for 7 consecutive quarters.

Intangible Assets Lift Equity Capital

Equity capital increased by $11.9 billion (2.0 percent) during the quarter, and the industry's equity-capital-to-assets ratio rose from 8.93 percent to 9.10 percent. Most of the increase in equity consisted of goodwill and other intangible assets. The industry's leverage capital ratio, which excludes intangibles, declined by one basis point during the quarter, from 7.81 percent to 7.80 percent.

"Problem" Banks Register Sharp Increase

The number of insured commercial banks reporting financial results declined from 8,149 to 8,080 during the quarter. There were 42 new banks added during the quarter, while 108 were absorbed by mergers. No commercial banks failed during the fourth quarter. However, the number of commercial banks on the FDIC's "Problem List" increased from 74 to 95, and total problem bank assets rose from $14.4 billion to $36.1 billion. This is the largest quarterly increase in problem banks since the third quarter of 1991, and the largest increase in problem-bank assets since the fourth quarter of 1991.

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

	2001	2000	1999	1998	1997	1996	1995
Return on assets (%)	1.16	1.19	1.31	1.19	1.23	1.19	1.17
Return on equity (%)	13.15	14.02	15.31	13.93	14.68	14.45	14.66
Core capital (leverage) ratio (%)	7.80	7.70	7.79	7.54	7.56	7.64	7.61
Noncurrent assets plus other real estate owned to assets (%)	1.01	0.74	0.63	0.65	0.66	0.75	0.85
Net charge-offs to loans (%)	0.94	0.67	0.61	0.67	0.64	0.58	0.49
Asset growth rate (%)	5.21	8.88	5.38	8.53	9.54	6.16	7.53
Net interest margin (%)	3.90	3.95	4.07	4.07	4.21	4.27	4.29
Net operating income growth (%)	-1.15	1.80	20.40	2.24	12.46	6.43	7.48
Number of institutions reporting	8,080	8,315	8,579	8,773	9,142	9,527	9,940
Percentage of unprofitable institutions (%)	7.55	7.34	7.51	6.11	4.85	4.28	3.55
Number of problem institutions	95	76	66	69	71	82	144
Assets of problem institutions (in billions)	$36	$17	$4	$5	$5	$5	$17
Number of failed/assisted institutions	3	6	7	3	1	5	6

TABLE II-A. Aggregate Condition and Income Data, FDIC-Insured Commercial Banks				
(dollar figures in millions)	Preliminary 4th Quarter 2001	3rd Quarter 2001	4th Quarter 2000	%Change 00:4-01:4
Number of institutions reporting	8,080	8,149	8,315	-2.8
Total employees (full-time equivalent)	1,704,872	1,671,162	1,670,857	2.0
CONDITION DATA				
Total assets	$6,570,047	$6,555,671	$6,244,622	5.2
Loans secured by real estate	1,803,563	1,749,213	1,673,185	7.8
Commercial & industrial loans	982,537	1,010,372	1,051,060	-6.5
Loans to individuals	631,159	607,557	606,664	4.0
Farm loans	47,776	48,280	48,099	-0.7
Other loans & leases	433,466	448,059	443,469	-2.3
Less: Unearned income	3,111	2,665	2,931	6.1
Total loans & leases	3,895,390	3,860,817	3,819,547	2.0
Less: Reserve for losses	72,101	68,215	64,137	12.4
Net loans and leases	3,823,289	3,792,601	3,755,409	1.8
Securities	1,179,521	1,106,817	1,078,981	9.3
Other real estate owned	3,568	3,457	2,912	22.5
Goodwill and other intangibles	122,415	111,689	103,781	18.0
All other assets	1,441,254	1,541,107	1,303,538	10.6
Total liabilities and capital	6,570,047	6,555,671	6,244,622	5.2
Noninterest-bearing deposits	881,942	777,646	756,561	16.6
Interest-bearing deposits	3,510,111	3,517,030	3,423,073	2.5
Other borrowed funds	1,129,728	1,167,113	1,108,777	1.9
Subordinated debt	95,317	92,442	87,043	9.5
All other liabilities	355,034	415,440	338,436	4.9
Equity capital	597,915	585,999	530,731	12.7
Loans and leases 30-89 days past due	53,287	52,561	47,953	11.1
Noncurrent loans and leases	54,939	51,697	42,941	27.9
Restructured loans and leases	1,030	1,063	1,312	-21.5
Direct and indirect investments in real estate	265	253	297	-10.9
1-4 Family residential mortgages	966,319	931,451	917,657	5.3
Mortgage-backed securities	613,569	560,254	471,243	30.2
Earning assets	5,598,683	5,584,869	5,380,269	4.1
Long-term assets (5+ years)	1,341,797	1,264,512	1,187,694	13.0
Volatile liabilities	2,061,371	2,180,294	2,184,056	-5.6
Foreign office deposits	629,681	680,900	706,666	-10.9
FHLB Advances (Source: FHFB, Call Reports)	198,607	191,550	174,742	13.7
Unused loan commitments	4,872,609	4,763,651	4,469,121	9.0

Derivatives	45,496,657	50,324,021	40,760,447	11.6

INCOME DATA	Preliminary Full Year 2001	Full Year 2000	%Change	Preliminary 4th Quarter 2001	4th Quarter 2000	%Change 00:4-01:4
Total interest income	$402,908	$428,449	-6.0	$92,739	$112,504	-17.6
Total interest expense	187,709	224,488	-16.4	34,555	60,636	-43.0
Net interest income	215,199	203,962	5.5	58,184	51,868	12.2
Provision for loan and lease losses	43,071	30,001	43.6	15,193	10,211	48.8
Total noninterest income	157,587	153,452	2.7	40,891	40,082	2.0
Total noninterest expense	222,317	216,105	2.9	57,623	55,431	4.0
Securities gains (losses)	4,478	-2,283	N/M	1,210	207	484.5
Applicable income taxes	37,029	37,983	-2.5	8,522	8,790	-3.1
Extraordinary gains, net	-251	-32	N/M	17	-46	N/M
Net income	74,595	71,009	5.1	18,964	17,679	7.3
Net charge-offs	36,466	24,785	47.1	12,732	8,824	44.3
Cash dividends	54,060	53,844	0.4	15,045	18,636	-19.3
Net operating income	71,766	72,598	-1.2	18,096	17,217	5.1
						N/M - Not meaningful

TABLE III-A. Full Year 2001, FDIC-Insured Commercial Banks											
		Asset Size Distribution				Geographic Distribution by Region					
						East			West		
FULL YEAR PRELIMINARY **(The way it is)**	**All Institutions**	**Less than $100 Million**	**$100 Million to $1 Billion**	**$1 Billion to $10 Billion**	**Greater than $10 Billion**	**Northeast**	**Southeast**	**Central**	**Midwest**	**Southwest**	**West**
Number of institutions reporting	8,080	4,487	3,193	320	80	651	1,392	1,721	2,094	1,342	880
Total assets (in billions)	$6,570.0	$221.7	$819.3	$915.4	$4,613.6	$2,259.5	$1,634.0	$1,322.3	$363.2	$276.7	$714.4
Total deposits (in billions)	4,392.1	187.8	668.3	625.0	2,910.9	1,432.7	1,127.4	861.1	253.9	226.1	491.0
Net income (in millions)	74,595	1,915	9,321	11,527	51,832	23,982	18,269	13,284	5,010	3,099	10,950
% of unprofitable institutions	7.5	11.2	3.0	3.1	1.3	10.6	12.3	5.6	4.3	5.4	12.7
% of institutions with earnings gains	56.8	49.6	65.6	69.1	63.8	66.7	56.3	60.4	55.2	50.6	56.8

Performance ratios (%)											
Yield on earning assets	7.29	7.83	7.91	7.76	7.06	6.96	7.20	7.31	8.03	7.62	8.05
Cost of funding earning assets	3.40	3.61	3.54	3.45	3.35	3.50	3.31	3.52	3.51	3.21	3.06
Net interest margin	3.90	4.23	4.37	4.31	3.71	3.46	3.89	3.79	4.51	4.41	4.99
Noninterest income to earning assets	2.85	1.11	1.71	2.62	3.20	3.68	2.45	2.05	2.88	1.58	3.22
Noninterest expense to earning assets	4.03	3.74	3.87	4.02	4.07	4.36	3.87	3.40	4.33	3.90	4.44
Loan and lease loss provision to assets	0.67	0.30	0.37	0.66	0.74	0.74	0.51	0.73	0.66	0.33	0.87
Net operating income to assets	1.12	0.89	1.16	1.26	1.09	1.03	1.09	0.99	1.46	1.11	1.56
Pretax return on assets	1.74	1.19	1.69	2.02	1.72	1.63	1.67	1.51	2.17	1.63	2.51
Return on assets	1.16	0.91	1.20	1.31	1.14	1.06	1.13	1.04	1.49	1.17	1.63
Return on equity	13.15	8.07	12.25	13.78	13.50	12.89	12.22	12.36	16.50	12.17	15.97
Net charge-offs to loans and leases	0.94	0.34	0.41	1.03	1.06	1.20	0.74	0.80	0.87	0.44	1.24
Loan and lease loss provision to net charge-offs	118.11	147.29	139.23	101.59	119.44	120.76	105.38	133.67	112.68	125.26	110.59
Efficiency ratio	57.66	69.56	62.84	55.75	56.74	59.19	58.65	56.08	57.60	63.34	52.11
Condition Ratios (%)											
Earning assets to total assets	85.22	91.37	91.14	89.49	83.02	82.08	84.28	88.07	90.42	89.41	87.70
Loss allowance to:											
Loans and leases	1.85	1.41	1.44	1.79	1.97	2.12	1.61	1.76	1.72	142	207
Noncurrent loans and leases	131.24	128.11	151.82	167.46	123.73	124.92	126.19	120.56	166.03	135.82	174.11
Noncurrent assets plus other real estate owned to assets	1.01	0.81	0.73	0.73	1.12	0.97	1.23	1.04	0.77	0.72	0.81
Equity capital ratio	9.10	10.90	9.68	9.76	8.78	8.62	9.73	8.44	8.93	9.49	10.34
Core capital (leverage) ratio	7.80	10.63	9.19	8.74	7.24	7.26	8.00	7.60	8.49	8.59	8.82
Tier 1 risk-based capital ratio	9.92	15.89	12.91	11.83	8.89	9.77	9.83	9.01	11.34	12.58	10.83
Total risk-based capital ratio	12.76	16.99	14.10	13.77	12.20	12.72	12.74	12.14	13.03	14.11	13.52

Net loans and leases to deposits	87.05	71.08	78.52	88.73	89.68	79.26	88.06	99.38	94.46	70.09	89.82
Structural Changes											
New Charters	134	128	5	0	1	19	39	19	15	8	34
Banks absorbed by mergers	356	159	163	25	9	36	73	97	59	44	47
Failed banks	3	3	0	0	0	1	0	1	0	1	0
PRIOR FULL YEARS (The way it was)											
Number of institutions											
2000	8,315	4,837	3,081	314	83	664	1,426	1,792	2,144	1,383	906
1998	8,773	5,408	2,973	321	71	693	1,445	1,904	2,265	1,517	949
1996	9,527	6,203	2,926	325	73	743	1,577	2,109	2,401	1,683	1,014
Total assets (in billions)											
2000	$6,244.6	$230.9	$773.6	$879.4	$4,360.7	$2,180.8	$1,611.9	$1,072.4	$419.0	$302.3	$658.2
1998	5,442.5	252.3	726.8	921.8	3,541.6	1,922.3	1,211.4	889.3	376.5	304.7	738.3
1996	4,578.3	280.0	713.5	1,002.4	2,582.5	1,730.7	805.4	716.8	297.2	334.4	693.8
Return on assets (%)											
2000	1.19	1.00	1.28	1.28	1.16	1.30	1.05	1.03	1.42	0.97	1.38
1998	1.19	1.13	1.31	1.52	1.08	1.06	1.30	1.25	1.50	1.13	1.11
1996	1.19	1.16	1.28	1.31	1.12	1.10	1.22	1.21	1.43	1.22	1.24
Net charge-offs to loans & leases (%)											
2000	0.67	0.41	0.33	0.70	0.75	0.79	0.61	0.40	0.83	0.43	1.00
1998	0.67	0.31	0.40	1.02	0.65	0.91	0.43	0.44	0.74	0.43	0.87
1996	0.58	0.27	0.42	0.89	0.52	0.63	0.45	0.44	0.70	0.35	0.79
Noncurrent assets plus OREO to assets (%)											
2000	0.74	0.67	0.61	0.64	0.79	0.74	0.82	0.74	0.61	0.62	0.73
1998	0.65	0.71	0.62	0.71	0.64	0.78	0.55	0.56	0.57	0.59	0.67
1996	0.75	0.77	0.74	0.85	0.71	0.84	0.68	0.57	0.65	0.61	0.88

Equity capital ratio (%)											
2000	8.50	11.06	9.59	8.98	8.07	8.00	8.66	7.91	9.49	8.93	9.87
1998	8.49	10.95	9.52	9.46	7.85	7.80	9.10	8.27	8.72	8.83	9.29
1996	8.20	10.54	9.44	8.77	7.38	7.36	8.48	8.43	8.74	8.74	9.22

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. Fourth Quarter 2001, FDIC-Insured Commercial Banks

		Asset Size Distribution				Geographic Distribution by Region					
						East			West		
Fourth Quarter Preliminary **(The way it is)**	**All Institutions**	**Less than $100 Million**	**$100 Million to $1 Billion**	**$1 Billion to $10 Billion**	**Greater than $10 Billion**	**North-east**	**South-east**	**Central**	**Mid-west**	**South-west**	**West**
Number of institutions reporting	8,080	4,487	3,193	320	80	651	1,392	1,721	2,094	1,342	880
Total assets (in billions)	$6,570.0	$221.7	$819.3	$915.4	$4,613.6	$2,259.5	$1,634.0	$1,322.3	$363.2	$276.7	$714.4
Total deposits (in billions)	4,392.1	187.8	668.3	625.0	2,910.9	1,432.7	1,127.4	861.1	253.9	226.1	491.0
Net income (in millions)	18,964	419	2,352	3,035	13,158	4,60.0	5,812	3,357	1,464	772	2,959
% of unprofitable institutions	12.7	18.0	5.8	7.5	12.5	12.7	14.5	9.2	11.7	13.9	17.4
% of institutions with earnings gains	58.5	53.7	64.5	66.3	53.8	61.8	59.5	61.7	58.9	53.4	55.0
Performance Ratios (annualized, %)											
Yield on earning assets	6.62	7.36	7.37	7.00	6.35	5.98	6.81	6.53	7.94	6.97	7.50
Cost of funding earning assets	2.46	3.09	2.93	2.64	2.31	2.30	2.64	2.59	2.79	2.51	2.15
Net interest margin	4.15	4.26	4.44	4.36	4.04	3.68	4.16	3.94	5.14	4.46	5.35
Noninterest income to earning assets	2.92	1.20	1.85	2.76	3.24	3.72	2.71	2.12	2.98	1.63	2.88

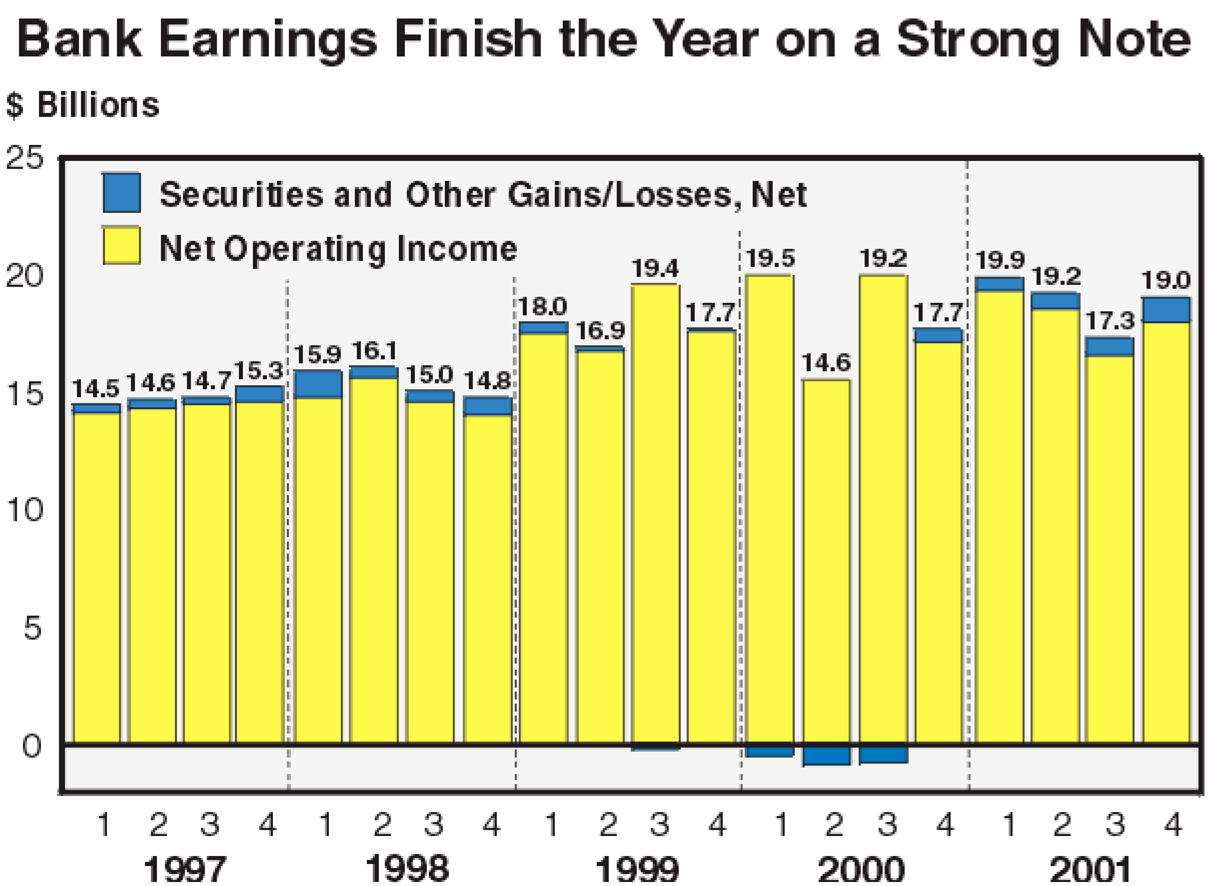
Noninterest expense to earning assets	4.11	3.98	4.02	4.08	4.14	4.36	4.18	3.43	4.39	4.02	4.35
Credit loss provision to assets	0.92	0.39	0.49	0.67	1.07	1.31	0.53	0.85	0.98	0.39	0.90
Net operating income to assets	1.10	0.73	1.13	1.30	1.07	0.77	1.31	1.02	1.65	1.02	1.61
Pretax return on assets	1.67	1.01	1.63	2.12	1.62	1.23	1.90	1.46	2.44	1.63	2.62
Return on assets	1.15	0.77	1.16	1.34	1.13	0.80	1.42	1.02	1.68	1.13	1.69
Return on equity	12.76	6.90	11.89	13.73	13.07	9.49	14.67	12.04	18.47	11.73	16.31
Net charge-offs to loans and leases	1.31	0.52	0.58	1.47	1.46	1.96	0.92	0.95	1.36	0.61	1.46
Credit loss provision to net charge-offs	119.33	123.00	129.32	72.96	128.34	133.38	91.53	135.85	106.51	109.79	97.55
Efficiency ratio	56.13	72.46	62.89	55.42	54.53	57.16	58.11	54.52	53.20	64.37	50.85
Structural Changes (QTR)											
New charters	42	39	2	0	1	9	15	2	4	2	10
Banks absorbed by mergers	106	49	48	6	3	8	31	19	17	13	18
Failed banks	0	0	0	0	0	0	0	0	0	0	0
PRIOR FOURTH QUARTERS (The way it was)											
Return on assets (%)											
2000	1.15	0.76	1.18	1.07	1.18	1.32	1.05	0.95	1.38	0.70	1.23
1998	1.10	0.83	1.20	1.35	1.04	1.01	1.36	1.09	1.46	0.99	0.80
1996	1.21	0.97	1.28	1.42	1.14	1.17	1.26	1.28	1.39	1.20	1.12
Net charge-offs to loans & leases (%)											
2000	0.93	0.45	0.46	0.90	1.05	0.92	1.16	0.55	0.92	0.66	1.15
1998	0.73	0.48	0.56	1.11	0.67	0.95	0.52	0.57	0.81	0.56	0.81
1996	0.64	0.42	0.56	1.01	0.52	0.67	0.53	0.53	0.84	0.48	0.79

TABLE V-A. Loan Performance, FDIC-Insured Commercial Banks											
		Asset Size Distribution				Geographic Distribution by Region					
						East			West		
December 31, 2001	All Institutions	Less than $100 Million	$100 Million to $1 Billion	$1 Billion to $10 Billion	Greater than $10 Billion	Northeast	Southeast	Central	Midwest	Southwest	West
Percent of Loans 30-89 Days Past Due											
All loans secured by real estate	1.31	1.55	1.20	1.05	1.41	1.38	1.19	1.64	0.95	1.23	1.07
Construction and development	1.21	1.63	1.15	1.07	1.26	1.23	0.89	1.45	1.20	1.28	1.49
Commercial real estate	0.90	1.16	0.87	0.81	0.94	0.80	0.84	1.24	0.84	0.91	0.65
Multifamily residential real estate	0.69	0.77	0.61	0.48	0.78	0.51	0.75	1.08	0.40	0.60	0.32
Home equity loans	0.91	0.87	0.83	0.80	0.94	0.68	0.81	1.34	0.60	0.49	0.55
Other 1-4 Family residential	1.67	2.01	1.68	1.36	1.71	1.57	1.62	2.10	1.03	1.59	1.48
Commercial and industrial loans	1.02	1.84	1.38	1.26	0.91	0.91	0.71	1.29	1.38	1.17	1.30
Loans to individuals	2.47	2.88	2.60	2.40	2.45	2.70	2.36	2.81	1.77	2.16	2.10
Credit card loans	2.69	2.52	5.08	2.76	2.59	3.20	3.25	2.13	1.58	1.71	2.23
Other loans to individuals	2.34	2.88	2.26	2.19	2.35	2.30	2.15	2.92	2.02	2.17	1.87
All other loans and leases (including farm)	0.85	1.05	0.98	0.95	0.82	0.79	0.45	1.26	0.91	0.96	1.00
Memo: Commercial RE loans not secured by RE	1.02	0.46	0.24	1.02	1.05	0.27	1.44	0.79	2.12	1.37	1.18
Percent of Loans Noncurrent*											
All real estate loans	0.96	0.97	0.83	0.84	1.03	1.08	0.79	1.26	0.66	0.90	0.74
Construction and development	1.02	1.03	0.93	1.05	1.03	1.10	0.91	1.05	0.87	0.96	1.20
Commercial real estate	0.98	1.14	0.91	0.89	1.04	0.85	0.89	1.32	0.92	0.92	0.79
Multifamily residential real estate	0.43	0.62	0.50	0.45	0.39	0.26	0.41	0.58	0.48	0.60	0.41
Home equity loans	0.39	0.29	0.34	0.41	0.40	0.29	0.35	0.56	0.26	0.30	0.28
Other 1-4 Family residential	0.96	0.88	0.76	0.80	1.06	0.99	0.79	1.49	0.48	0.82	0.56
Commercial and industrial loans	2.40	1.63	1.35	1.67	2.67	2.82	2.39	2.25	1.20	1.62	2.17
Loans to individuals	1.50	1.00	0.97	1.22	1.65	2.07	0.84	1.16	1.68	0.65	1.35
Credit card loans	2.15	1.67	3.36	2.05	2.13	2.53	1.47	1.55	2.24	1.05	1.83
Other loans to individuals	1.12	0.99	0.64	0.72	1.31	1.70	0.69	1.10	0.90	0.63	0.50
All other loans and leases (including farm)	0.96	1.03	0.98	0.76	0.97	0.56	1.70	0.93	1.15	1.18	1.16
Memo: Commercial RE loans not secured by RE	1.56	0.44	0.08	0.54	1.70	0.26	3.34	0.54	1.00	0.37	0.20
Percent of Loans Charged-off (net)											

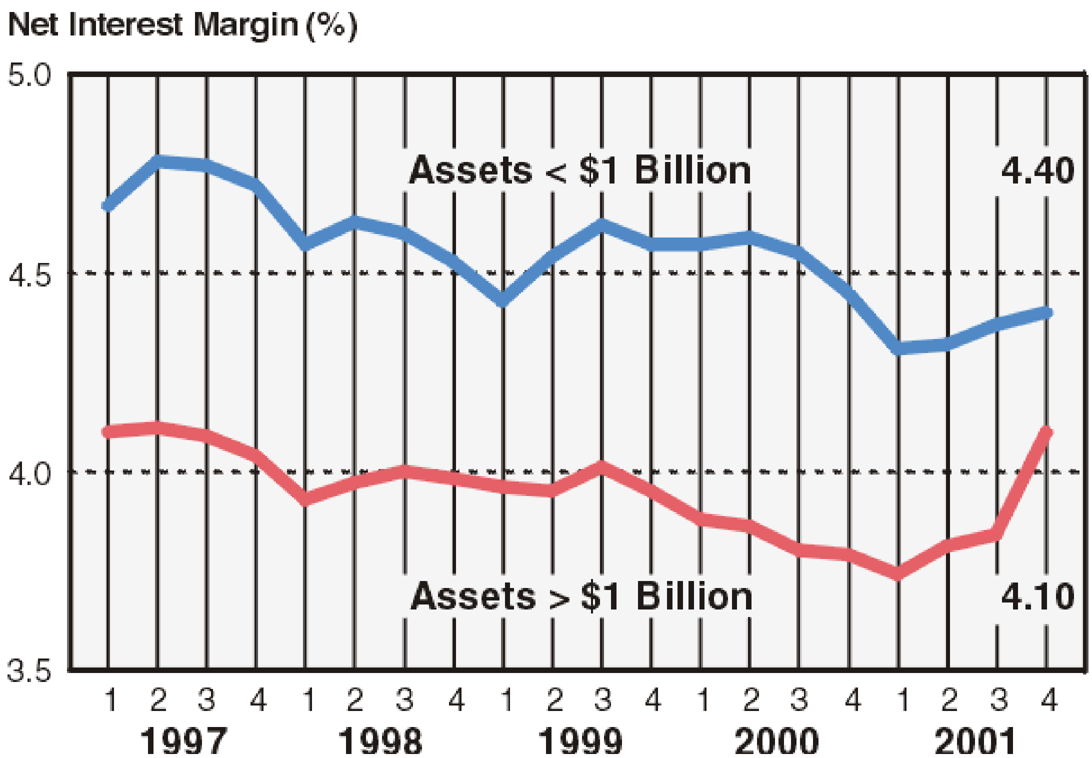
All real estate loans	0.19	0.08	0.08	0.13	0.24	0.12	0.27	0.25	0.06	0.07	0.08
Construction and development	0.13	0.10	0.13	0.18	0.12	0.10	0.13	0.16	0.10	0.06	0.16
Commercial real estate	0.13	0.10	0.08	0.11	0.18	0.12	0.14	0.22	0.08	0.07	0.06
Multifamily residential real estate	0.03	0.12	0.06	0.00	0.03	0.03	0.03	0.09	-0.01	0.04	-0.02
Home equity loans	0.27	0.04	0.09	0.18	0.32	0.06	0.29	0.44	0.16	0.22	0.12
Other 1-4 Family residential	0.22	0.07	0.08	0.13	0.29	0.10	0.39	0.27	0.05	0.07	0.05
Commercial and industrial loans	1.43	0.74	0.80	1.53	1.51	1.54	1.40	1.38	0.76	0.97	1.69
Loans to individuals	2.72	0.92	1.63	3.39	2.78	3.25	1.74	1.86	3.30	1.01	3.92
Credit card loans	5.12	2.93	6.92	6.72	4.70	5.25	3.62	4.99	6.20	2.69	5.33
Other loans to individuals	1.28	0.87	0.90	1.23	1.40	1.49	1.18	1.36	0.62	0.95	1.30
All other loans and leases (including farm)	0.41	0.36	0.46	0.53	0.40	0.25	0.31	0.70	0.44	0.38	0.76
Memo: Commercial RE loans not secured by RE	0.17	0.90	0.54	0.50	0.12	0.21	0.13	0.25	0.09	0.21	0.10
Loans Outstanding (in billions)											
All real estate loans	$1,803.6	$79.5	$352.3	$320.2	$1,051.6	$373.6	$538.2	$440.9	$118.0	$90.9	$242.0
Construction and development	193.3	7.5	43.6	41.9	100.3	20.4	68.5	48.4	10.6	14.1	31.3
Commercial real estate	507.5	23.1	134.8	113.2	236.4	83.4	154.4	121.6	31.2	33.8	83.1
Multifamily residential real estate	64.1	1.8	11.8	14.0	36.5	15.6	15.9	16.7	3.2	2.7	10.1
Home equity loans	154.3	2.2	15.4	19.6	117.1	31.1	49.3	48.9	5.4	1.6	17.9
Other 1-4 Family residential	812.0	34.9	132.1	127.0	518.0	188.4	240.2	196.4	56.7	34.7	95.6
Commercial and industrial loans	982.5	23.3	94.7	113.8	750.7	336.3	245.5	225.4	41.2	37.3	96.7
Loans to individuals	631.2	16.9	58.4	98.5	457.4	244.8	126.4	99.0	53.8	22.6	84.6
Credit card loans	232.4	0.4	7.0	37.0	188.0	108.3	23.9	13.9	31.3	0.7	54.4
Other loans to individuals	398.7	16.5	51.4	61.4	269.4	136.5	102.5	85.0	22.5	21.9	30.2
All other loans and leases (including farm)	481.2	15.9	27.7	32.8	404.8	207.0	99.6	106.1	31.0	10.1	27.4
Memo: Commercial RE loans not secured by RE	48.6	0.3	1.3	3.6	43.5	11.7	19.8	8.1	1.0	0.7	7.4
Memo: Other Real Estate Owned (in millions)											
All other real estate owned	$3,567.7	$310.2	$908.2	$537.0	$1,812.3	$592.0	$1,349.1	$686.0	$262.7	$296.6	$381.2
Construction and development	309.8	29.8	154.7	61.7	63.7	37.8	111.8	47.4	35.6	40.7	36.6

Commercial real estate	1,623.7	138.9	387.4	230.2	867.3	263.2	690.4	231.1	100.6	140.4	198.2
Multifamily residential real estate	64.0	8.7	33.0	7.3	15.1	8.5	14.9	15.8	12.4	4.7	7.6
1-4 Family residential	1,377.1	109.0	291.0	231.9	745.2	167.9	516.7	380.6	94.0	89.3	128.6
Farmland	76.4	23.9	40.8	4.6	7.2	1.3	15.4	11.1	20.0	21.6	7.0
Other real estate owned in foreign offices	116.6	0.0	1.4	1.3	113.9	113.3	0.0	0.0	0.0	0.0	3.3

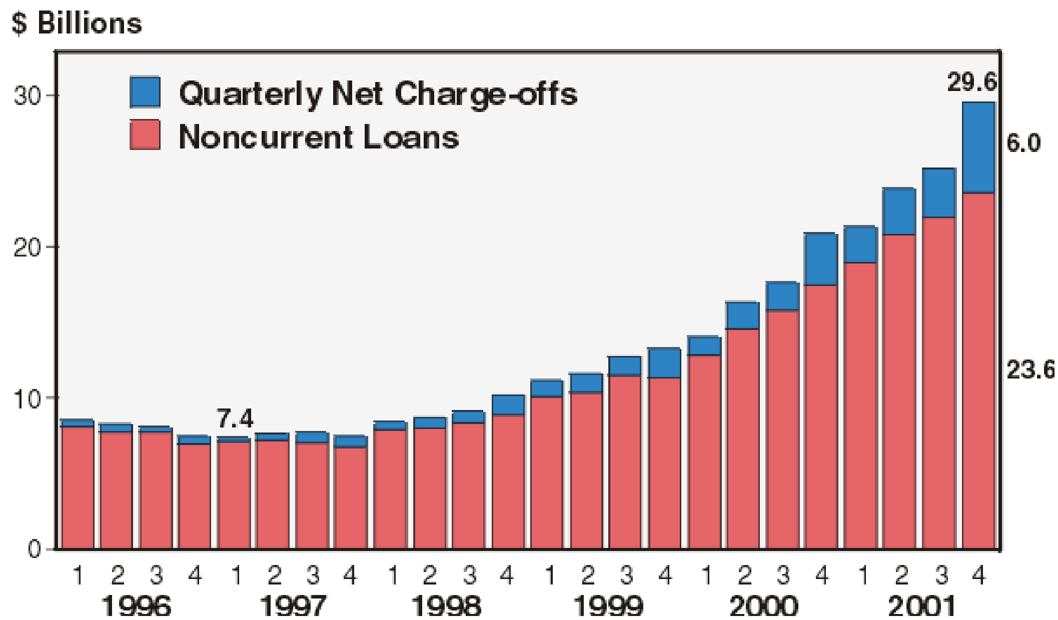
*Noncurrent loan rates represent the percentage of loans in each category that are past due 90 days or more or that are in nonaccrual status

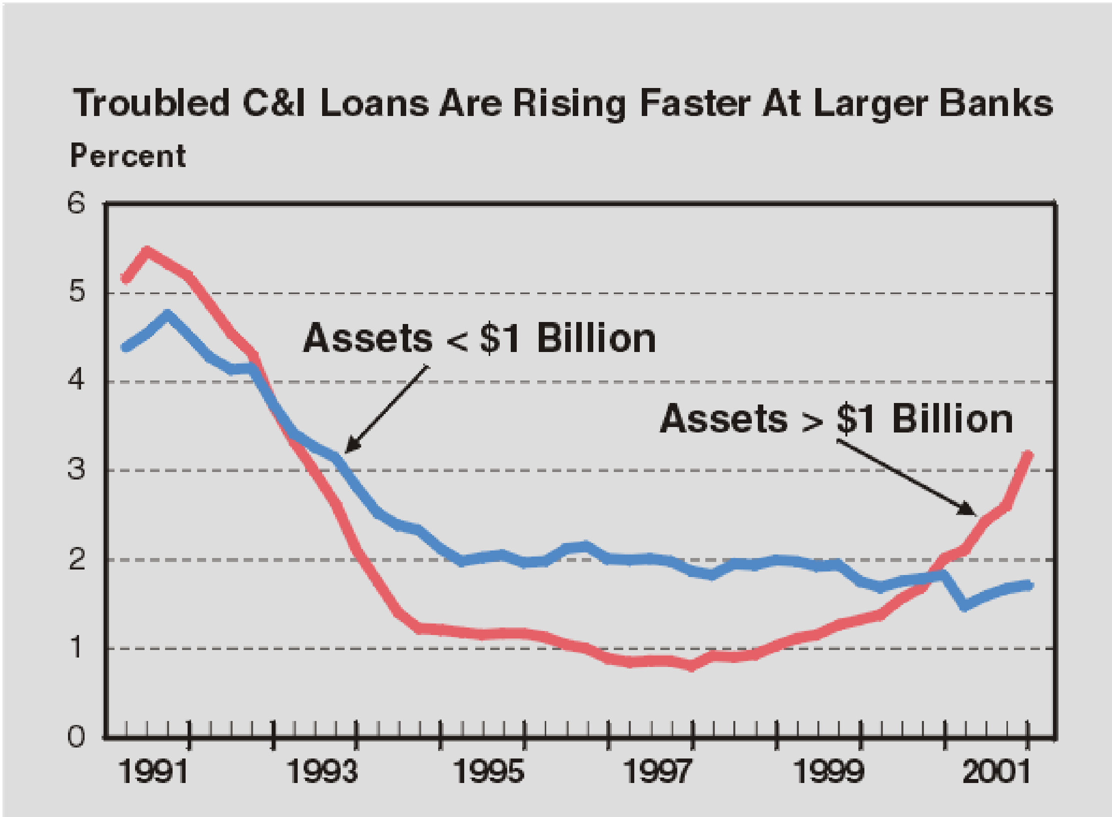


Margins Improve In Fourth Quarter

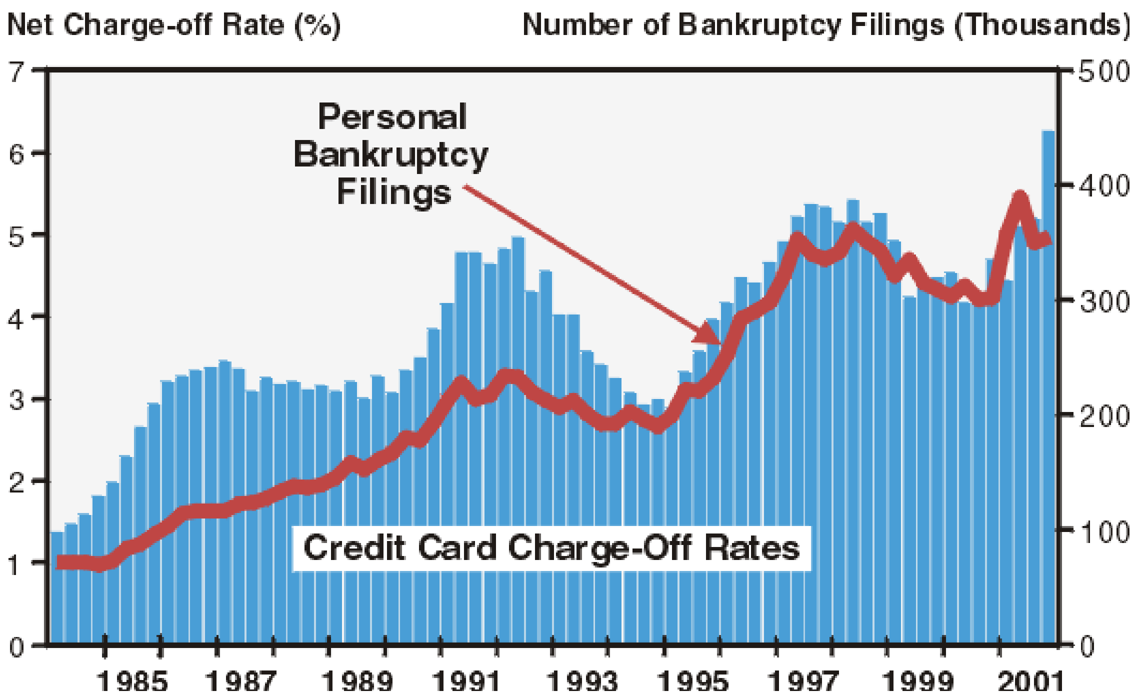


Troubled C&I Loans Registered a Sizeable Increase in the Fourth Quarter

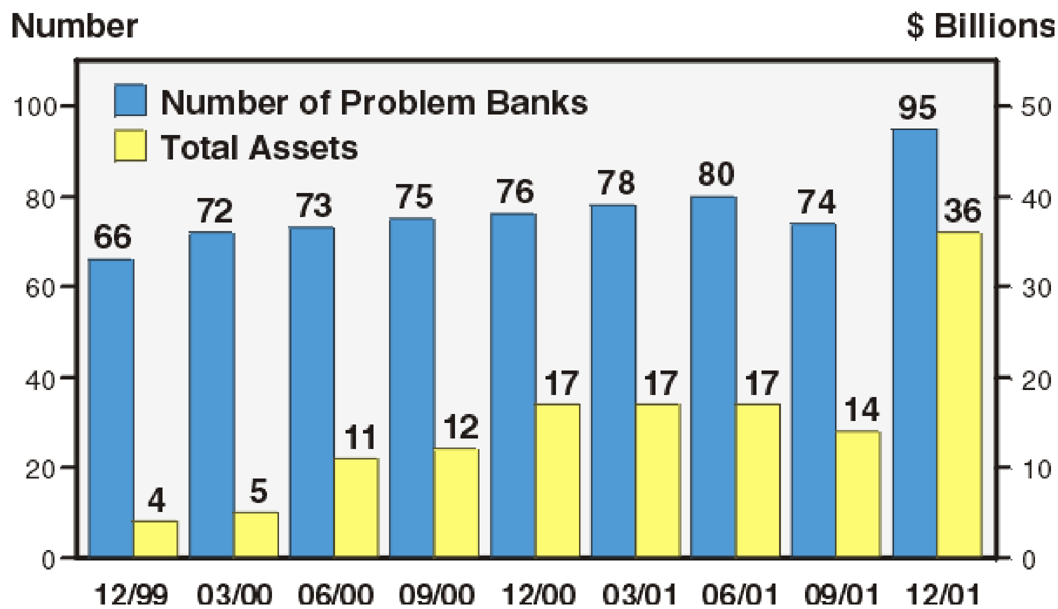




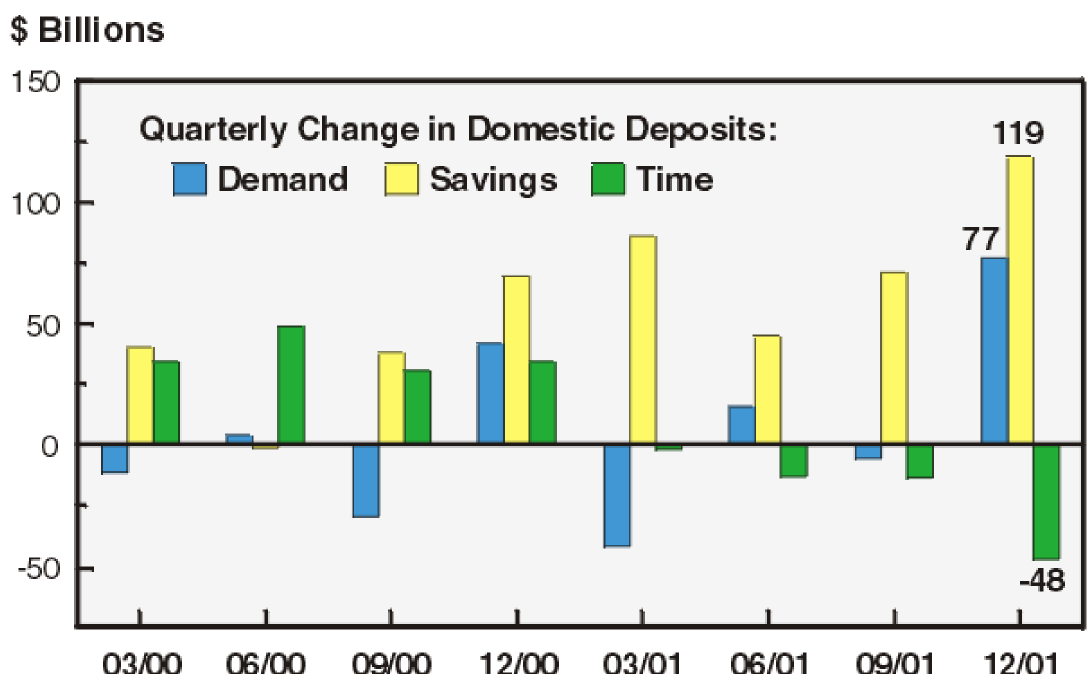
Credit Card Loss Rates and Personal Bankruptcy Filings Are at All-Time Highs



The Number and Assets of Problem Commercial Banks Increased Sharply in the Fourth Quarter



Growth in Savings Deposits Sets Quarterly Record



Unedited Transcript of February 28 Webcast

Good morning. My name is Don Powell. Welcome each of you to this press conference and today we are announcing preliminary earnings for the fourth quarter of 2001 and for the entire year of 2000.

The good news is commercial banks had a record fourth quarter earnings of $19 billion.

Record annual earnings of $74.6 billion, and that is $3.5 billion more than the previous record of $71.1 billion in 1999.

Nearly half of all the banks reported higher earnings last year than in 2000, which is quite an accomplishment considering the broader economy.

Chart Two -- Sharply lower funding costs helped the industry deliver its record performance, as you can see. As this chart shows, net interest margins shot up at larger asset banks, with assets more than $1 billion, being the red line, and net interest margin at smaller institutions improved as well, that being the blue line.

All of that is very good news.

The news is not necessarily all good news. Looking, again, back at chart one, the industry -- when you look at the industry more closely, you'll see that the record for 2001 was made possible only by a $4.5 billion gain in securities -- in the sale of securities. And, in fact, net operating income, which excludes these gains and other nonrecurring items, was 1.2% lower in 2001 than in the year 2000, or $830 million lower. And without these gains, fourth quarter earnings last year would have been about equal to the fourth quarter earnings in 1999, when such gains played almost no role.

Earnings from core banking operations have somewhat dipped. As we discussed yesterday in our publication FYI, asset quality continues to deteriorate.

Today, I want to stress that concerns about these problems continue to grow. As revealed in chart three, the provision for loan losses in 2001 increased more than at anytime in the past 12 years. Growing from $30 billion in 2000 to $43 billion. Net charge-offs reached an all-time high for the year. Net charge-offs increased 43% from a year ago. At $12.7 billion, they were the highest total quarterly reported by the industry. Charge-offs in commercial and industrial loans accounted for almost half that record. As this chart shows, C & I charge-offs totaled $6 billion, up dramatically from the third quarter.

Even with this dramatic increase, non-current loans continue to rise as well and together this came to almost $30 billion in the fourth quarter. That compares to the low of $7.4 billion recorded in the first quarter of 1997.

Chart Four -- Most of the problems in the C & I lending remain in large banks. Larger banks have experienced a faster decline in asset quality than smaller banks have. In the fourth quarter, troubled C & I loans at larger banks rocketed from 2.6% to 3.18%, that being the red line. The deterioration at smaller banks, the blue line, has been more recent and more gradual.

Banks are recognizing asset quality problems as the figures for loan losses show. And for the first time in eight quarters, loss reserves are keeping pace with their non-current loans. But problem loans are still growing. And if you were to look at the industry figures as if they were returns from one bank, you could conclude asset quality may even be more of a problem in the near future. Chart Six reveals some of this, some of this information.

I really want to make one more point. As this chart shows, there is significant increase in the number of banks on our problem list in the fourth quarter. And in their total assets. The 21 banks going on the list was the largest quarterly increase in problem banks since the third quarter of 1991. And the $22 billion increase in problem bank assets was the largest increase since the fourth quarter of that same year. Last time we had $36 billion in problem loan assets was in 1994.

To sum up our presentation: Today, the banking industry in 2001, again, enjoyed record earnings. Capital levels remain high, and the industry remained strong. But, yes, there are some concerns. The makeup of earnings, the decline in asset quality, the increase in troubled institutions, and these concerns continue to grow.

With me today are two of the analysts who produced the preliminary bank earnings report, Ross Waldrop and Don Inscoe, and we will be happy to accept any questions.

Yes, sir?

A couple of days ago, the National Association of Manufacturers released a study that indicated that pressure by the federal bank regulators is effectively choking off credit, especially to smaller businesses and may even be wiping out the benefits of the interest rate cuts. Can you speak to that problem? Are federal bank regulators putting a lot of pressure on banks across the board to cut the credit ratings of businesses?

No, I don't think that's the case. Regulators review assets, loans, and condition of the bank and also the condition of the economy. I think credit is available to small businesses and to small borrowers. Credit quality problems or real problem assets are concentrated in these larger institutions. I think what we also pointed out, there are some signs of deterioration of asset quality in the smaller institutions. But, again, I think that credit is available to smaller businesses and to individuals.

Yes?

The number of total assets in problem banks grew -- I mean, nearly tripled, just doing core math. Umm, how can you -- has the FDIC's criteria for what's considered a problem bank changed, or is this -- how do we account for that amount of growth?

The FDIC gathers data from all the banking regulators, Federal Reserve, OTS, OCC. And so this is a summary of those. The FDIC is obviously part of that. But I think it's a reflection of the fact what these examiners have found and the criteria has not changed. Problem banks are designated as 4 and 5 rated.

How do you account for the decline, then? I mean, what are banks getting into that are causing them to decline in camels ratings?

I think it's a combination of several things. Banks are a reflection of the economy. If the economy has some dips and slowness in it, there's going to be some problem in some assets that the banks have on their books. But, again, overall, the industry is very solid. We've talked about record earnings, strong capital. When you look at capital and reserves and earnings, compared to 10 years ago, there's a dramatic difference. Capital ratios are much stronger, earnings are much stronger, and, as I mentioned a moment ago, I think banks are recognizing those problems and making larger provisions to the loan loss reserve. In fact, I said that pace is equal now, providing the same relationship to loan loss reserve as problems of assets are going up. The coverage is larger than it has been in the past. The coverage being dollar coverage in loan loss reserves to problem assets. Correct me, guys, if that's not true.

No, that's true.

Are there any particular types of institutions that are encountering these -- going down in the ratings, large credit card banks, other community banks? I mean, this seems to be larger banks, since the number only grew by 21.

I think, as we indicated, that there is some credit deterioration in the larger institutions, but there's signs in the smaller institutions there has been some deterioration. Individual consumer loans, credit card loans. You know, bankruptcies I think are at an all-time high and that reflects in the bankruptcy also.

How worried are you about this going forward? You say the industry's in good shape, record earnings. Do you expect the problem bank list to grow even further?

I would hope we grow in other ways. There is some cause for concern, but I think when you look at the overall banking industry, capital ratios are very high and earnings are at record highs. And the banks are recognizing the problems. Clearly, there's some weaknesses in the system. But when you have problem banks increase at that rate, that's not good.

Yes, sir?

Are there any banks among the top largest 20 on that list?

Well, that is asset-size-wise, they wouldn't fit in that list, I think is the short answer.

What would be the -- what would be the largest bank that would be there?

I don't think we want to go there -- give you the first initial or anything like that.

You can't tell me what would be the asset size of the largest bank on that list?

No. We're statisticians, we're looking at aggregate data when constructing our charts. For perspective, if you look at the last recession ten years ago, at this stage, you're in '91, there are over 1,000 banks on the problem list. I don't know off the top of my head what the problem bank assets were, but I think in excess of $100 billion on that. But I think things are better now. I think we point out, it really doesn't change much, in excess of 95% of all insured commercial banks are in the highest capital category. I think in terms of perspective, we're still talking about outliers.

Another question. Yes, ma'am?

For Mr. Powell: You say credit's available. But there's growing concerns about a credit crunch. The Fed's survey shows they are tightening credit standards for banks. I wonder, when do you get to the point, when do you establish that, yes, we're in a credit crunch. What are the signs you look out for?

I'm sorry, I didn't get the question. Did you guys get the question? It was slurred.

Can you hear me now?

I can hear you, but I can't distinguish what you're saying.

The question is this -- you say credit is available.

Yes.

Although Fed's surveys show that credit has been tightening, there are more concerns we could be approaching a credit crunch. I'm wondering, a, do you think we are in a credit crunch? What kind of issues would you be looking for to see -- that would establish that we are, in fact, in one?

I do not think we are in a credit crunch. What criteria would I view that would tell me that we're in a credit crunch? Probably several factors. Low deposit ratio, funding availability within institutions, expansion of credit, all those would be factors.

Why don't you think we're in a credit crunch now? What are the factors that you think determine we're not in one currently?

I think there's money available, willing institutions that are ready to loan money, money's available. Interest rates are at an all-time -- lower than they have been in the last 30 years. We just recently put out an analysis of, you know, broader credit availability. We also have looked at a considerable amount of data. One of the things that was noteworthy to me was that the fourth quarter was the fifth quarter in a row in which funding outstripped loan growth. At the same time, we're not seeing that loan commitments are being drawn down either. I think there's some broader evidence in the data that credit is available.

Can you guys talk about the deposit growth during the fourth quarter? It seems to have been another quarterly record, it looks like, domestic savings deposit. What does that mean for the industry and the bank insurance fund ratio? Normally, the fourth quarter deposits do rise. You guys got the specific information there.

A lot of the data fits with our priors. For example, savings deposits are up fairly strongly, and time deposits are down. We think the story on time deposits is that with low rates, people don't want to lock in so they move over into savings deposits. Also, in the fourth quarter, demand deposits were up, which is a volatile number. If you look at the overall level of deposits, you have to look inside the individual accounts. I think it's good news for banks. It means that pressure's off the funding side of their balance sheets.

Can you speak a little more specifically about the loan commitment data and what you're seeing for the fourth quarter or what are the trends?

Well, we track loan commitments against outstandings in an aggregate way. What we look for when we track that information is bumps up in the percentage of commitments actually being used. And we have seen -- I guess over, about, three quarters, a very slight decline, which means that commitments are growing faster than loans are being used or shrinking slower than loans are shrinking. And we especially look at the C & I component of that. C & I loan commitments are different than other type of loan commitments. Some commitments to build a building are always used. C & I loan commitments often serve as backup sources of credit. And the C & I is following about the same pattern that any of the other categories are following. We've got more data than you could possibly want on this. If you want to talk to us after the news conference.

Rob?

Deposit insurance reform question: Two bills have been introduced, one in the House, one in the Senate. I know the FDIC -- includes a lot of the FDIC recommendations. Is there anything in either bill that concerns the FDIC or you guys would like to see changed? Or generally happy with both of them?

I think we continue to analyze those bills, Rob. Broadly speaking, I think we're pleased with the legislation that has been introduced. We're more than happy to work with Congress and we'll be working with Congress to offer any of our thoughts or listen to them as they come forth with new thoughts and ideas. Deposit insurance reform is very important, we believe, and it's something we hope the Congress will pass this year.

Yes, sir?

A lot's been reported about Fannie Mae and Freddie Mac and their positions and derivatives. Some people mention Chase Manhattan, JP Morgan. Chase is a large position in derivatives. Is this an issue for the FDIC? Is there any concern? Are you looking at the issue at all, or do you think this is a non-issue at this time?

We only would concern ourselves as relationship to insured institutions, Fannie Mae and Freddie Mac are not. It's an issue that, along with many other issues we look at. But we don't think that there is any cause for concern within the industry as it relates to derivatives.

Yes, Rob?

One more for you. As you know, a lot of data has come out recently, both from the OMB and admissions from the FTIC that the BIF fund seems to be heading closer to 1.25, a lot of people think it's going to break it before the end of the year. How do you think banks will adjust after most of them have not paid premiums in something like five or six years? How do you see that playing out?

You're making an assumption that assessments will be forthcoming. That's a dynamic process. As you know, we're meeting the FDIC board tomorrow, we have a case to address that particular issue. I'd rather not comment on that today because, in fact, it's an agenda item for tomorrow.

Any other questions?

Thank you very much for coming. -- Thank you for coming.