Profits and Balance Sheet Developments at U.S. Commercial Banks in 2001

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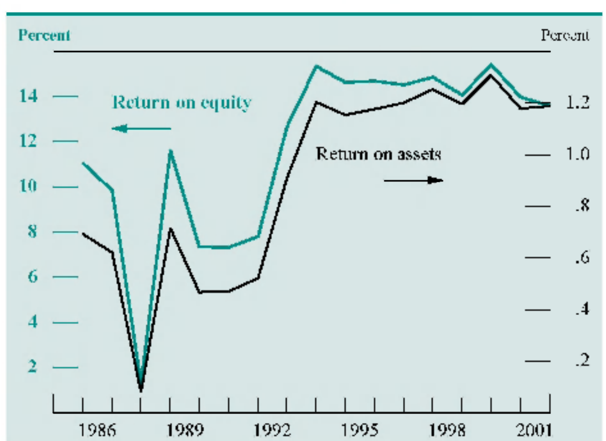
Despite the economic slowdown in 2001, the profitability of the U.S. commercial banking industry remained high (chart 1). The weak economy contributed to a sharp rise in provisions for loan and lease losses, as did, in the fourth quarter, the collapse of Enron and the economic turmoil in Argentina. However, the rise in provisioning was offset in large part by realized gains on investment account securities; these gains developed as banks' portfolios benefited from declining short- and intermediate-term market interest rates (chart 2). Profitability was also supported by reductions in noninterest costs and by a small rise in net interest income.

In response to the slowing economy, the Federal Reserve eased policy eleven times last year and short-term interest rates moved down considerably. During the first half of 2001, interest rates on residential mortgages remained well below the average for 2000, and their further decline during the third quarter of last year significantly boosted an already high level of refinancing activity in that market. Investment-grade corporate bond yields also fell well below their average level in 2000 and prompted an increased volume of corporate bond issuance. Favorable conditions in the corporate bond market led to a substantial paydown of commercial paper last year; however, a considerable number of corporate debt downgrades and investors' increased aversion to risk also contributed to the runoff. The terrorist attacks and revelations of corporate accounting irregularities also heightened investors' perceptions of risk last year, and yields on below-investment-grade corporate bonds rose throughout much of the year and were somewhat volatile.

Aside from loan losses, the economic slowdown and changes in market interest rates had a number of other effects on banks' balance sheets last year. Lower short-term interest rates spurred a sharp increase in core deposits, which provided banks with plentiful, low-interest-rate funding, even as their asset growth slowed between 2000 and 2001. Loan growth was restrained, largely because of reduced demand for commercial and industrial loans associated with

1. Measures of bank profitability, 1985–2001

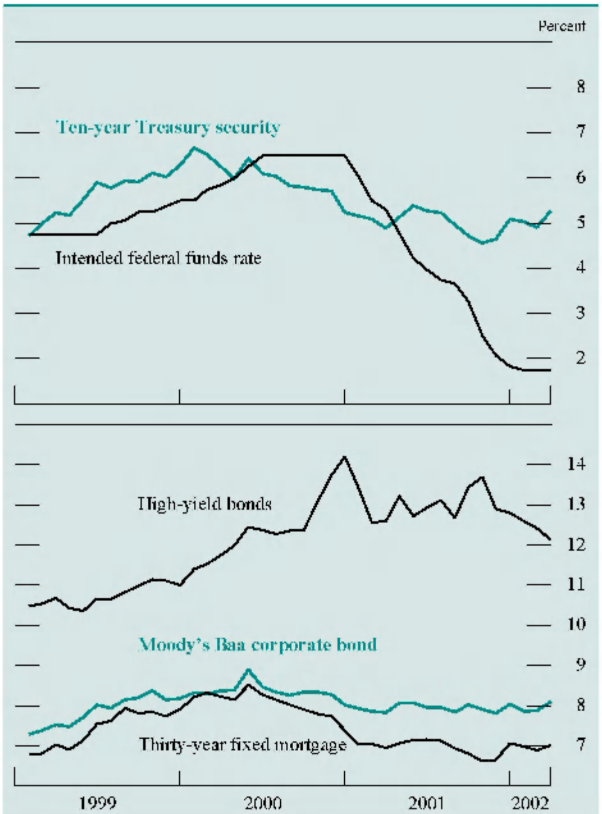


NOTE. Except where otherwise indicated, data in this article are from the quarterly Reports of Condition and Income (Call Reports) for insured domestic commercial banks and nondeposit trust companies (hereafter, banks); the most recent data are from the December 2001 Call Reports. The data consolidate information from foreign and domestic offices and have been adjusted to take account of mergers. For additional information on the adjustments to the data, see the appendix in William B. English and William R. Nelson, "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1997," *Federal Reserve Bulletin*, vol. 84 (June 1998), p. 408. Size categories, based on assets at the start of each quarter, are as follows: the 10 largest banks, large banks (those ranked 11 through 100), medium-sized banks (those ranked 101 through 1,000), and small banks. At the start of the fourth quarter of 2001, the approximate asset sizes of the banks in those groups were as follows: the 10 largest banks, more than $87 billion; large banks, $7 billion to $85 billion; medium-sized banks, $352 million to $6.9 billion; and small banks, less than $352 million.

Many of the data series reported here begin in 1985 because the Call Reports were significantly revised in 1984. Data for 1984 and earlier years are taken from Federal Deposit Insurance Corporation, *Statistics on Banking* (FDIC, 1999). The data reported here are also available on the Internet at http://www.fdic.gov/bank/statistical/statistics/index.html.

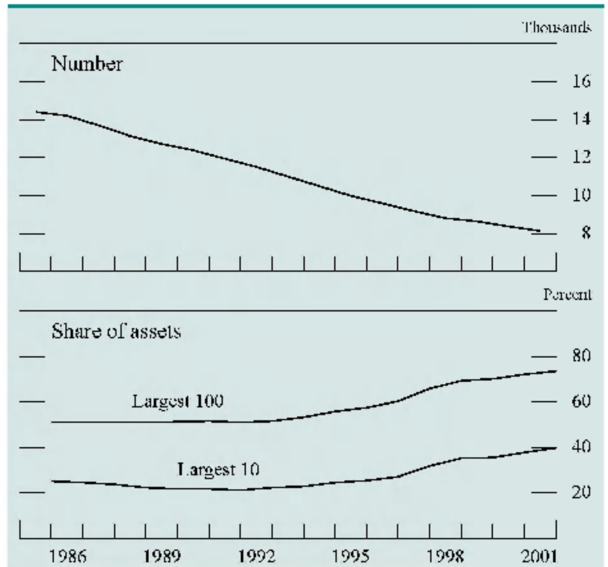
Data shown in this article may not match data published in earlier years because of revisions and corrections. In the tables, components may not sum to totals because of rounding. Appendix table A.1, A–E, reports portfolio composition, income, and expense items, all as a percentage of average net consolidated costs. Appendix table A.2 reports income statement data for all banks.

2. Selected interest rates, 1999–2002:Q1



SOURCE. For intended federal funds rate, Federal Reserve Board (www.federalreserve.gov/fomc/fundsrate.htm); for Treasury security rates, mortgage rate, and Moody's bond rates, Federal Reserve Board, Statistical Release H.15, "Selected Interest Rates" (www.federalreserve.gov/releases/h15); for high-yield bond rates, Merrill Lynch Master II index.

3. Number of banks and share of assets at the largest banks, 1985–2001



NOTE. For definition of bank size, see text note 1.

the sluggish economy and a paydown of such obligations with the proceeds of bond issuance. However, a strong residential real estate sector continued to generate substantial credit demands, which banks helped meet both by direct lending and by accelerating acquisitions of mortgage-backed securities. Substantial retained earnings and the increased share of government agency securities (which have lower capital charges than loans) in banks' portfolios contributed to an increase in risk-based capital ratios.

According to the FDIC, four banks failed and required government assistance to dispose of their insured deposits and assets last year, down from seven in 2000. Although the amount of assets held at the time of failure, $1.8 billion, was a tiny percentage of total industry assets, it was more than four times greater than the previous year. The number of commercial banks that merged, were bought outright, or otherwise changed their charters fell from 475 in 2000 to 376 in 2001. Meanwhile, 149 new banks were created in 2001, down from 217 in 2000 and the fewest since 1995. The result was a reduction in the number of commercial banks operating in the United States, to 8,129 as of December 31, 2001 (chart 3).[1] Mergers between Chase Manhattan and Morgan Guaranty and between U.S. Bank and Firstar Bank enlarged the share of bank assets held by the 10 largest commercial banks from 38 percent in 2000 to 40 percent in 2001. However, the share of assets held by the 100 largest banks edged up only slightly, to 73 percent.

The number of mergers between bank holding companies (BHCs) declined from 180 in 2000 to 155 in 2001, and the share of banking and nonbanking assets held by the top 50 BHCs ticked up, to almost 78 percent last year. However, newly created BHCs pushed up the total number of BHCs by 11 over the year, to 5,943. Finally, the number of BHCs that have acquired financial holding company status, which increases the scope of their allowed activities under the Gramm–Leach–Bliley Act, rose to 672 in 2001 from 552 at the end of 2000.

BALANCE SHEET DEVELOPMENTS

Total bank assets grew 5.2 percent in 2001, down from 8.7 percent in 2000 but about equal to the pace in 1999 (table 1). The slowdown was caused entirely

1. This count of commercial banks, derived from Call Report data, may vary slightly from measures, such as those in the Federal Reserve's *Annual Report*, that are based on the definition of a bank given in the Bank Holding Company Act and implemented in the Federal Reserve's Regulation Y.

1. Annual rates of growth of balance sheet items, 1992–2001

Percent

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	MEMO: Dec. 2001 (billions of dollars)
Assets	2.19	5.68	8.06	7.55	6.10	9.23	8.25	5.43	8.74	5.22	6,492
Interest-earning assets	2.56	6.43	5.29	7.77	5.79	8.67	8.29	5.83	8.72	4.03	5,582
Loans and leases (net)	−1.04	6.05	9.83	10.53	8.12	5.33	8.90	8.03	9.34	1.79	3,778
Commercial and industrial	−4.10	.52	9.33	12.26	7.24	12.02	12.94	7.88	8.44	−6.63	975
Real estate	1.94	6.13	7.90	8.32	5.45	9.30	7.99	12.22	10.71	7.77	1,787
Booked in domestic offices	2.57	6.17	7.64	8.47	5.51	9.52	7.97	12.36	10.99	7.85	1,754
One- to four-family residential	7.53	11.08	10.09	10.05	4.66	9.67	6.36	9.70	9.24	5.56	959
Other	−2.86	.22	4.35	6.24	6.75	9.32	10.29	16.06	13.28	10.75	795
Booked in foreign offices	−17.80	4.67	18.35	2.81	3.18	.34	8.79	6.28	−1.62	3.94	33
Consumer	−1.66	9.06	16.01	9.50	4.90	−2.19	.99	−1.47	8.06	4.39	611
Other loans and leases	−4.24	9.98	5.29	14.23	22.28	−7.91	14.06	6.69	8.06	−2.18	479
Loan-loss reserves and unearned income	−4.85	−5.82	−2.21	.25	−.06	−.49	3.47	2.35	8.02	12.60	74
Securities	12.29	12.26	−4.14	.57	.86	8.85	8.40	5.11	6.35	7.64	1,312
Investment account	11.44	8.11	−1.73	−1.58	−1.10	8.66	12.06	6.68	2.85	9.32	1,157
U.S. Treasury	n.a.	n.a.	n.a.	−19.21	−14.28	−8.86	−25.17	−1.89	−32.72	−40.50	44
U.S. government agency and corporation obligations	n.a.	n.a.	n.a.	6.43	3.63	14.18	17.00	1.83	3.75	13.39	701
Other	n.a.	n.a.	n.a.	4.20	1.83	11.20	26.99	20.90	13.37	12.58	412
Trading account	21.01	51.84	−20.46	18.51	14.44	10.00	−13.32	−6.93	37.16	−3.48	155
Other	1.89	−8.10	3.30	8.60	1.04	38.55	3.80	−8.37	10.29	13.03	492
Non-interest-earning assets	−.65	−.30	31.61	6.06	8.28	13.04	7.98	2.81	8.87	13.16	910
Liabilities	1.35	5.12	8.31	7.17	5.96	9.12	8.13	5.57	8.58	4.52	5,904
Core deposits	5.09	1.49	−.17	3.96	4.13	4.52	7.05	.23	7.53	10.74	3,186
Transaction deposits	14.62	5.47	−.32	−3.09	−3.44	−4.55	−1.41	−8.97	−1.31	10.16	739
Savings and small time deposits	.18	−.85	−.07	8.37	8.35	9.03	10.73	3.80	10.53	10.92	2,448
Managed liabilities[1]	−6.07	12.30	17.58	10.44	9.66	13.83	9.60	15.50	8.79	−2.82	2,302
Deposits booked in foreign offices	−5.85	15.06	30.89	5.13	4.27	11.13	8.71	14.60	7.84	−10.97	629
Large time	−26.20	−9.21	8.72	19.61	21.17	20.14	9.09	14.19	19.35	−3.75	542
Subordinated notes and debentures	34.90	10.82	9.23	6.61	17.74	21.05	17.00	5.07	13.98	9.57	95
Other managed liabilities	6.94	22.18	12.91	11.24	8.21	12.23	9.88	17.69	3.91	2.33	1,036
Other	−1.02	15.30	79.17	20.46	2.60	23.79	8.58	−6.41	15.40	3.24	416
Equity capital	13.75	12.58	5.24	12.00	7.73	10.45	9.61	3.94	10.48	12.80	588
MEMO											
Commercial real estate loans[2]	−4.03	−.60	4.01	6.34	7.67	10.12	11.37	15.42	12.14	12.66	808
Mortgage-backed securities	n.a.	n.a.	n.a.	.67	2.06	14.15	22.12	−3.34	3.28	30.17	604

NOTE. Data are from year-end to year-end.

1 Measured as the sum of deposits in foreign offices, large time deposits in domestic offices, federal funds purchased and securities sold under repurchase agreements, demand notes issued to the U.S. Treasury, subordinated notes and debentures, and other borrowed money.

2 Measured as the sum of construction and land development loans secured by real estate; real estate loans secured by nonfarm nonresidential properties; real estate loans secured by multifamily residential properties; and loans to finance commercial real estate, construction, and land development activities not secured by real estate.

by a deceleration in the growth of total loans and leases to 1.8 percent, a level well below the average of 8.7 percent over the past two years. Acquisitions of mortgage-backed securities boosted growth in securities held, even as U.S. Treasury securities on bank balance sheets continued to run off.

The expansion of total loans and leases was not spread evenly across types of loans. Commercial and industrial lending contracted over the course of the year, as banks' lending standards tightened and demand for short-term credit declined. Real estate lending, both commercial and residential, continued to grow smartly with the support of falling interest rates. Some slowing in consumer borrowing and an increase in securitizations held down growth of consumer loans on banks' balance sheets.

Growth of bank liabilities slowed to 4.5 percent in 2001. The 10.7 percent surge in core deposits (transaction, savings, and small time deposits) reflected the sharp drop in short-term interest rates last year and the resulting dramatic reduction in the opportunity cost of holding liquid deposits. These inflows allowed banks to pay down managed liabilities, which declined for the first time in several years. The ratio of capital to risk-weighted assets rose steadily over the course of the year. This advance was due to an 8.5 percent increase in tier 1 capital (primarily common equity) and a reduction in the average capital charge on banks' assets resulting from an increase in the share of agency securities and a drop in the share of loans in banks' portfolios.

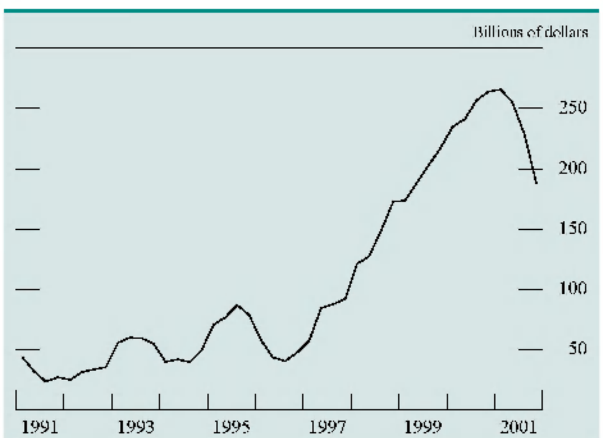
Loans to Businesses

Commercial and industrial (C&I) loans declined 6.6 percent in 2001. The contraction accelerated over the course of the year, from a 2 percent annual rate in the first quarter to an 11 percent annual rate in the fourth quarter. The runoff in C&I loans occurred against a backdrop of both tightened loan standards by banks and decreased loan demand by firms. (Information on standards and demand is from the Federal Reserve's Senior Loan Officer Opinion Survey of Bank Lending Practices—informally, the bank lending practices survey, or BLPS—which covers about sixty large domestic banks.)

To some extent, the decline in demand for bank credit was part of an overall ebbing of demand by nonfinancial firms for outside financing. Inventories declined substantially, and the financing gap narrowed as firms reduced capital spending relative to their internally generated funds (chart 4). Demand for C&I loans was also trimmed by paydowns from the proceeds of bond issues as firms took advantage of low long-term rates to lock in funding. Accordingly, the decline in C&I lending was concentrated at larger banks, which provide loans to firms more likely to have access to bond markets. C&I loans decreased 9.6 percent at the top 100 banks but rose 6.2 percent at other banks. At the smallest banks, those not ranked in the top 1,000, C&I lending grew 14.6 percent, only a slightly smaller increase than in 2000.

The contraction of C&I lending last year also reflected more conservative lending practices by banks (see box "Effect of Lending Standards on Business Loan Growth"). The share of BLPS respondents that reported tightening their business lending standards for C&I loans was elevated relative to historical levels (chart 5, middle panel). Indeed, more than 80 percent of banks reported that they had tightened standards at least once during 2001 and no banks reported that they had eased standards. The share of banks reporting having tightened standards peaked in the January 2001 survey and, except for a jump in the October survey, generally declined thereafter. The October bump likely reflected the financial turmoil and economic uncertainty surrounding the September 11 terrorist attack (see box "Effects of September 11"). Loan terms were also tightened last year, most frequently by increasing premiums charged on riskier loans and raising spreads of loan rates over the banks' cost of funds. The most common reason banks gave for tightening terms and standards was a less favorable economic outlook,

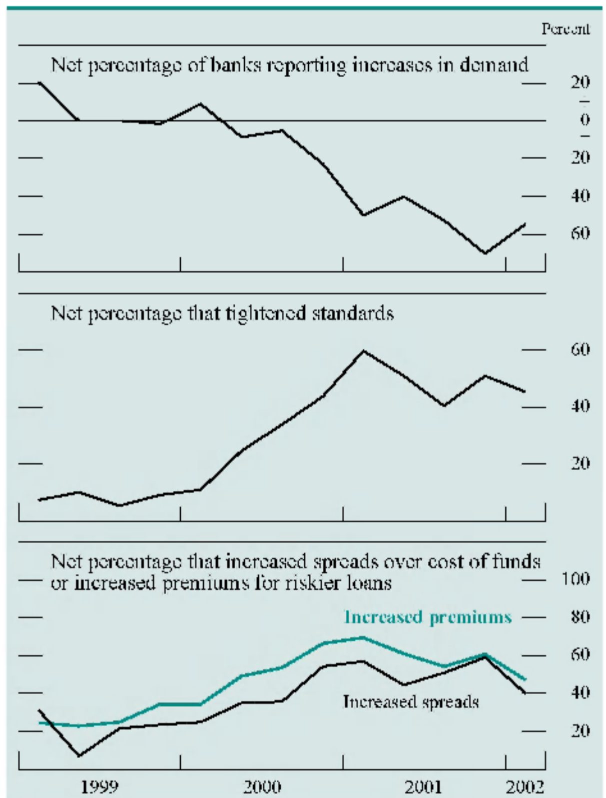
4. Financing gap at nonfarm nonfinancial corporations, 1991–2001



NOTE. The data are four-quarter moving averages. The financing gap is the difference between capital expenditures and internally generated funds.

SOURCE. Federal Reserve Board, Statistical Release Z.1, "Flow of Funds Accounts of the United States," table L. 101 (www.federalreserve.gov/releases/z1).

5. C&I loan demand and terms at selected banks, large and medium-sized borrowers, 1999–2002:Q1



NOTE. Net percentage is the percentage of banks reporting an increase in demand, a tightening of standards, or an increase in spreads or premiums less, in each case, the percentage reporting the opposite. The definition for firm size suggested for, and generally used by, survey respondents is that large and medium-sized firms have sales greater than $50 million.

SOURCE. Federal Reserve Board, "Senior Loan Officer Opinion Survey on Bank Lending Practices."

followed by worsening industry-specific problems and reduced tolerance for risk.

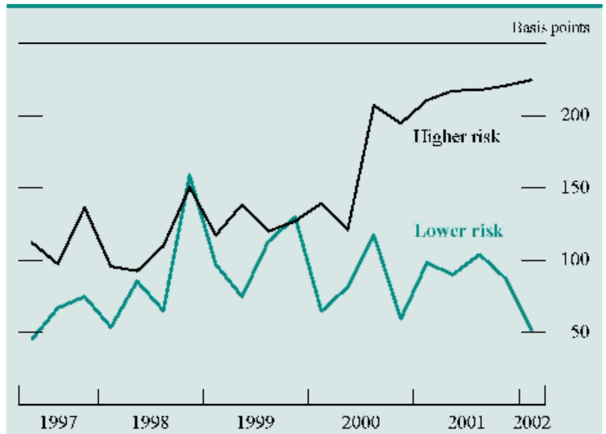
Evidence from special questions in the BLPS sheds more light on how changes in the cost of credit depended on risk and industry. In May, banks were asked how terms on commercial paper backup lines had changed over the preceding year. They indicated that firms with an A2/P2 rating were more likely to have faced higher spreads, higher fees, and a reduction in the size of their credit lines than firms with an A1/P1 rating. In the August survey, more than half of the respondents indicated that, during the previous twelve months, they had tightened lending standards more for firms in the high-tech sectors than for firms in other industries. In response to a question on changes to the banks' internal ratings for C&I loans in the October survey, banks indicated that loans to certain industries, such as commercial airlines and nondefense aerospace, were more likely to have been downgraded than loans to firms in other industries.

Banks also tightened terms to high-risk borrowers, according to the Federal Reserve's quarterly Survey of Terms of Business Lending (STBL). For loans not made under commitment, the terms of which are more likely to reflect the banks' current outlook than those for loans made under previously committed credit lines, the average spread on low-risk loans remained within a range typical of the past five years, while the average spread on high-risk loans continued to trend up, reaching the highest point since the risk ratings were added to the survey in 1997 (chart 6).[2]

In contrast to C&I lending, commercial real estate lending was fairly strong last year, although down from 2000. Nonfarm nonresidential loans, which constitute about two-thirds of total commercial real estate lending, grew nearly 9 percent during 2001, down from about 12 percent in 2000, while construction and land development lending expanded 19 percent, about the same rate as in 2000. However, growth of construction lending declined over the year as vacancy rates rose and office construction waned. Growth of lending for multifamily structures, the smallest component of commercial lending, declined to half of its rate of expansion the previous year.

Most of the slowing in commercial real estate lending was at the top 100 banks by assets, where growth fell below 5 percent. Indeed, large banks reported that they had tightened standards and faced weaker demand (chart 7). On net, about 78 percent of banks responding to the BLPS indicated that they had tightened standards on commercial real estate loans at some point in 2001. Although a handful of banks in each survey reported facing stronger demand, an average of 35 percent of banks, on net, indicated that demand had weakened over the preceding quarter. In particular, respondents to a special question in the

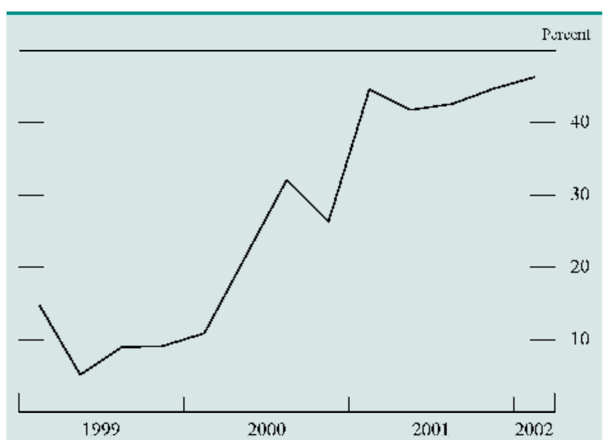
6. C&I loan rate spreads at banks, by risk, 1997:Q2–2002:Q1



NOTE. Lower-risk loans are rated 1 or 2. Higher-risk loans are rated from 3 to 5. Loans shown were not made under commitment. Spreads are over the market interest rate on an instrument of comparable maturity. For definitions of risk ratings, see text note 2.

SOURCE. Results for domestic banks in "Survey of Terms of Business Lending," Federal Reserve Board.

7. Net percentage of selected banks that tightened standards for commercial real estate loans, 1999–2002:Q1



NOTE. Net percentage is the percentage of banks that reported a tightening of standards less the percentage that reported an easing.

SOURCE. Federal Reserve Board, "Senior Loan Officer Opinion Survey on Bank Lending Practices."

2. Loans in the STBL receive risk ratings ranging from 1 to 5, which correspond, respectively, to minimal risk, low risk, moderate risk, acceptable risk, and classified. For more information on loan rating categories in the STBL, see Thomas F. Brady, William B. English, and William R. Nelson, "Recent Changes to the Federal Reserve's Survey of Terms of Business Lending," *Federal Reserve Bulletin*, vol. 84 (August 1998), pp. 604–15.

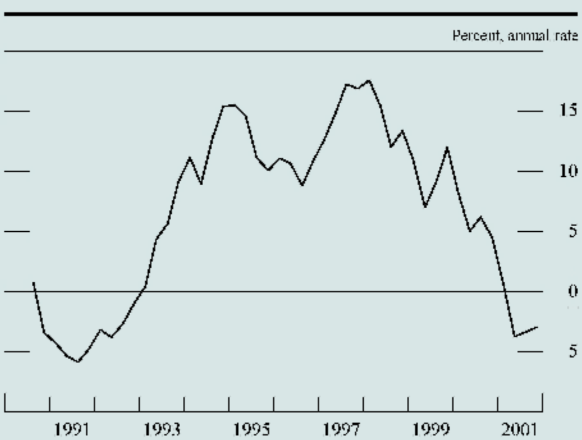
Effect of Lending Standards on Business Loan Growth

The recent weakness in C&I loans has been mirrored in the contraction of a broader measure, total committed business lending facilities, which is defined as the sum of C&I loans and unused C&I loan commitments at commercial banks (chart A). Using data from the Federal Reserve's Senior Loan Officer Opinion Survey on Bank Lending Practices (BLPS), we can identify the sources of this slowdown at the individual bank level. Other researchers have linked movements in aggregated survey responses to the growth of total bank business lending.[1] Here we use individual bank responses in an attempt to parse the change in committed lending facilities into changes in supply and demand.

Of the banks that responded to every one of the BLPS during the past two years, 29 percent reported that they had tightened C&I lending standards no more than once, 24 percent reported tightening two or three times, and 46 percent tightened four or more times (table A). The largest banks in the survey were generally among those that tightened their business lending standards at least four times.

1. Cara S. Lown, Donald P. Morgan, and Sonali Rohatgi, "Listening to Loan Officers: The Impact of Commercial Credit Standards on Lending and Output," Federal Reserve Bank of New York, *Economic Policy Review*, vol. 6 (July 2000), pp. 1–16.

A. Growth of committed lending facilities, 1990–2001



Note. Committed lending facilities is the sum of C&I loans and unused C&I loan commitments.

A. Distribution of banks, and growth of lending facilities, by number of tightenings of credit standards, 2000–01

Percent

Item	0–1	2–3	4 or more
Banks	29.3	24.4	46.3
Lending facilities			
2000	6.4	5.5	4.7
2001	3.8	–1.3	–4.0

Note. Banks are those that responded to all surveys in 2000–01.
Source. Federal Reserve Senior Loan Officer Opinion Survey on Bank Lending Practices; Call Report.

As shown in the table, reported changes in standards appear to be reflected in changes in the growth rate of lending facilities. Business lending facilities at banks that tightened two or more times during the past two years shrank in 2001 after posting moderate growth in 2000. The continued growth of business lending facilities in 2001 at the least restrictive banks, albeit at a slower pace than in 2000, suggests that some borrowers had shifted from more restrictive to less restrictive banks.

To examine more formally the relationship between supply conditions and the growth of committed lines and to account as well for changes in reported demand, we used a regression model. We constructed a sample of all banks that participated in the BLPS for at least twelve consecutive quarters from 1991:Q3 to 2001:Q4, a selection that yielded a sample of 79 different commercial banks and almost 2,200 bank-quarter observations.

We then analyzed the annualized quarterly growth rate of business lending facilities at each bank using four indicator variables for supply and demand. The two demand variables indicated whether the bank reported stronger or weaker demand for C&I loans and credit lines during the quarter. The two supply variables correspond to whether a bank reported that it had tightened or eased credit standards during the quarter. The coefficient on each of the four variables had the expected sign, and the coefficients were statistically significant at conventional levels (table B).

May BLPS reported weaker demand for commercial real estate loans in sectors such as office buildings, hotels, and retail establishments and slightly stronger demand for loans for multifamily dwellings.

Growth in commercial real estate loans at banks other than the top 100, which are not included in the BLPS, was 18 percent. The high growth at smaller banks continues a five-year trend that increased the share of commercial real estate loans in total assets of such banks to 21 percent at the end of 2001.

Loans to Households

With the economy weakening, the growth of residential mortgage loans slowed in 2001 from the very rapid pace of the preceding two years but remained brisk at 5.6 percent. Residential mortgage lending was supported by historically low mortgage interest rates and a surge in refinancing activity. The refinancing index of the Mortgage Bankers Association reached its highest level in more than a decade

Effect of Lending Standards on Business Loan Growth—Continued

B. Regression analysis

Variable	Coefficient	Standard error
Stronger demand	2.2	1.0
Weaker demand	−6.2	1.1
Tightened standards	−7.1	1.3
Eased standards	4.1	1.6

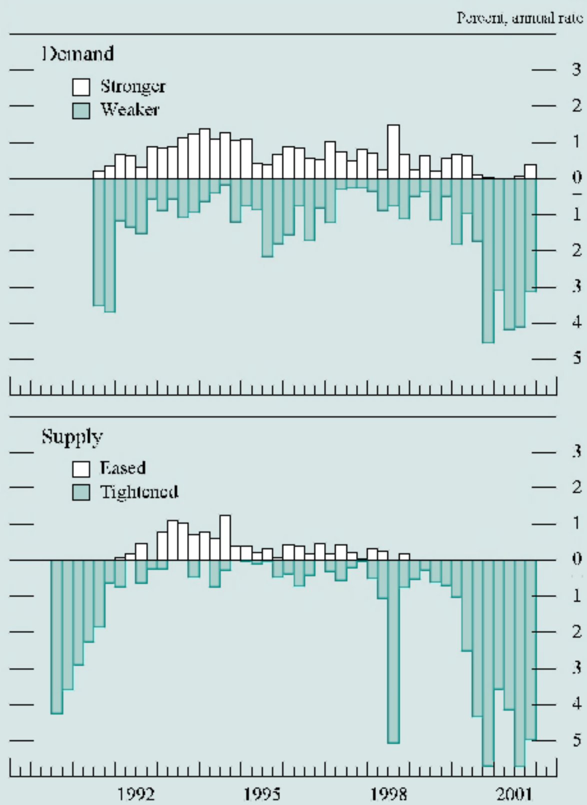
NOTE. Sample included 79 banks with at least 12 consecutive quarters of survey data from 1991:Q3 to 2001:Q4. The dependent variable is the annualized growth of committed lending facilities.

Using these estimates of the bank-level effects, we constructed estimates of the aggregate quarterly effect of reported changes in supply and demand conditions on the growth rate of business lending facilities at banks in the panel. For example, in any given quarter, the aggregate effect of banks reporting stronger demand was calculated as the share of total business lending facilities at banks that reported stronger demand multiplied by the coefficient on the corresponding indicator variable. This value is shown by the shaded bars in the top panel of chart B, and the open bars show the aggregate effect on the growth of business lending facilities of banks reporting weaker demand.

As shown, reported weakness in demand is estimated to have reduced the growth rate of business credit facilities at surveyed banks since the end of 2000 an average of about 3.5 percentage points per quarter at an annual rate. The estimated contribution of supply factors is shown in the bottom panel of chart B. The results suggest that more restrictive supply conditions could account for a reduction of growth at surveyed banks of about 4.5 percentage points per quarter at an annual rate on average since the beginning of 2001.

The growth of lending facilities also is affected by the availability of creditworthy borrowers. Thus, to the extent that banks tightened standards in response to a worsening of corporate balance sheets, these results will overstate the amount of credit stringency that has originated in the banking sector because some firms that had wanted to borrow would no longer be creditworthy even if standards had remained unchanged. Also, the responses to the BLPS refer only to *changes* in bank lending standards and observed demand, not to the underlying levels of credit standards and demand. For example, banks likely had already tightened credit standards significantly before the survey question on changes in credit standards began appearing regularly in 1990:Q3.

B. Contribution of reported changes in demand and supply to growth of committed lending facilities, 1990–2001

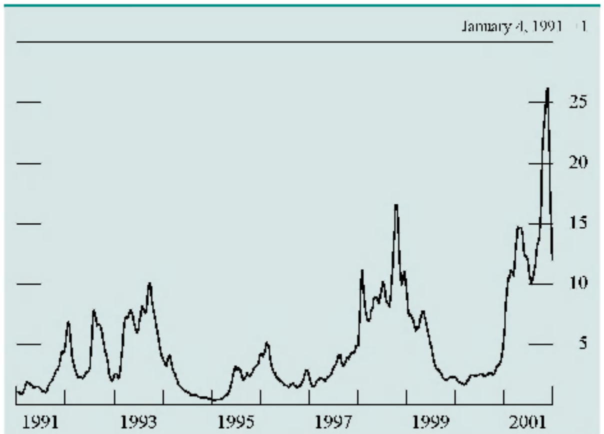


NOTE. Changes in supply have been reported since 1990:Q3, whereas banks were not consistently asked to report changes in demand until 1991:Q3.

(chart 8). BLPS respondents indicated that many of their customers drew on the equity value of their homes by increasing the size of the loan when they refinanced, contributing to the growth in mortgage debt last year and supporting consumer spending. Half of the survey respondents said that more than 20 percent of their mortgage customers increased the size of their mortgage loan by an amount typically ranging between 5 percent and 15 percent of the outstanding loan amount. Banks indicated that debt repayment was the most common use of funds obtained from mortgage refinancing. According to the BLPS, banks kept their standards for residential mortgages essentially unchanged last year.

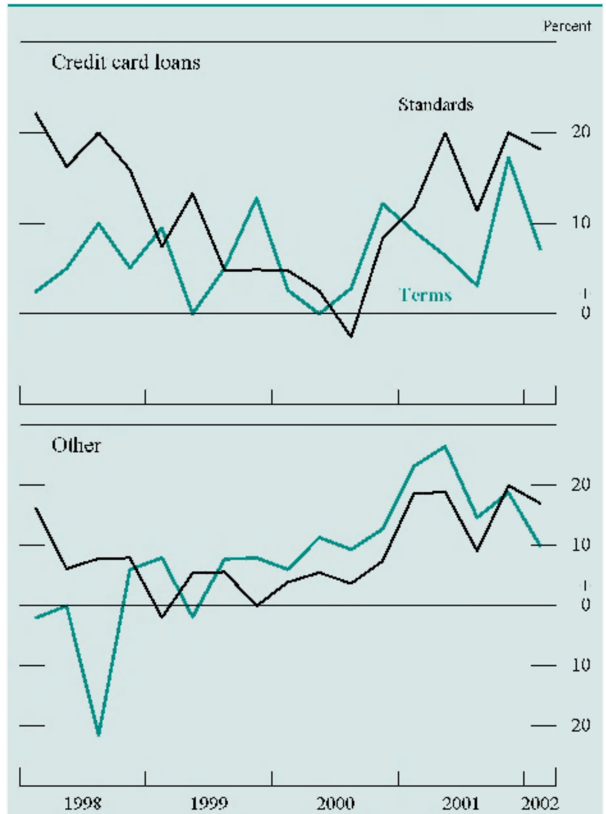
Although the growth of home equity loans was not as exceptional as in 2000, it reached 21 percent during 2001. Indeed, expanding at more than a 30 percent annual rate in the third quarter, home equity lending picked up even as other residential housing lending was slowing. Households tapped

8. Index of home mortgage refinancing activity, 1991–2001



Source. Mortgage Bankers Association.

9. Net percentage of selected banks that tightened standards and terms on consumer loans, 1998–2002:Q1



Note. Net percentage is the percentage of banks that reported a tightening of standards or terms less the percentage that reported an easing. Tightening or easing of terms represented by increase or decrease respectively in spread of loan yield over bank's cost of funds.

Source. Federal Reserve Board, "Senior Loan Officer Opinion Survey on Bank Lending Practices."

their home equity lines in volume at the same time that they were using some of the proceeds of the heavy mortgage refinancing to consolidate debt. This high rate of growth led the ratio of outstanding home equity loans to total loans to exceed 4 percent for the first time.

Information on banks' securitization of residential loans became available on the Call Report last year. At year-end, the outstanding principal balance of single-family first-lien residential loans that banks had sold or securitized was about equal to the value of such assets that remained on their books. A much smaller share of home equity loans is securitized—only 12 percent of the value of home equity loans held by banks at the end of 2001.

Total consumer loans originated by banks that were either held or securitized grew 7.6 percent over the course of the year, a pace down only slightly from that in 2000 despite the reported debt consolidation associated with mortgage refinancing noted earlier. The growth in consumer lending was propelled largely by the origination of credit card loans, which expanded 10.1 percent for the year. The share of consumer loans that was securitized, most of which are credit card loans, climbed to a record 35 percent of all consumer loans in the second half of the year. Consumer loans held by banks increased 4.4 percent in 2001.

In contrast to commercial loans, relatively few banks acted to restrain consumer lending last year. The net share of BLPS respondents that reported tightening standards for approving credit card applications or for approving other consumer loans generally remained between 10 percent and 20 percent for each type of loan during each quarter of 2001 (chart 9). The most common method for tightening lending terms was to increase the minimum required credit scores and to increase spreads on loans over the bank's cost of funds.

Other Loans and Leases

Other loans and leases contracted 2 percent during 2001. Leases grew at a 2 percent annual rate, a further deceleration from their historically slow rate of growth in 2000. As many leases are made to businesses, the deceleration may be a result of the general economic slowdown and the reduction in business spending. The slow growth of leases may also be part of a move by some banks to reduce or discontinue their automobile leasing activities, as they have found that profit margins were below expectations. Lending to other depository institutions, the second largest item in this category after leases, declined over the year, as did agricultural

Effects of September 11

The terrorist attacks of September 11 significantly disrupted the payments system and caused temporary distortions to bank balance sheets. Banks had the flexibility to absorb these shocks, however, and their effects dissipated quickly. The effects on the secondary markets for loans and on banks' perceptions of risk were longer lasting, but these, too, had diminished by the end of the year.

Weekly data for the domestic offices of large domestically chartered banks show that, between September 5 and September 12, the disruption of the payment system caused bank balance sheets to balloon. On the asset side, lending in the form of federal funds and repurchase agreements with other commercial banks rose from $87 billion to $190 billion, and "other loans," mainly unplanned overdrafts, increased from $79 billion to $162 billion. Cash assets, which include balances due from other depository institutions and deposits at Federal Reserve Banks, rose from $165 billion to $223 billion, in large part because of the massive provision of reserves by the Federal Reserve following the attacks. Loans to purchase or carry securities rose from $13 billion to $47 billion. C&I loans went up $15 billion as the temporary closing of the commercial paper market forced some issuers to tap backup lines of credit. On the liability side, transaction deposits soared $164 billion, while borrowing from banks and borrowing from others each increased about $50 billion.[1]

These changes were rapidly reversed. Cash assets, "other loans," and C&I loans returned to normal levels by September 19. Federal funds and repurchase agreements decreased $68 billion in that week but remained slightly elevated for another few weeks. Transaction deposits declined $113 billion between September 12 and September 19. Borrowing from banks completely reversed the previous week's increase, while the volume of borrowing from others returned about one-third of the way back to its level on September 5.

In late September, the Board informally contacted several banks that participate in the Federal Reserve's Senior Loan Officer Opinion Survey on Bank Lending Practices (BLPS) to assess changes in their outlook regarding the business climate in the wake of the attacks. The impression emerging from these consultations was that the banks generally had not changed lending standards, although they had tightened loan covenants somewhat. Several banks noted a decrease in loan demand following the attacks, even as they noted a tendency for riskier firms to increase the use of their credit lines. Banks reported that internal ratings were being assessed case by case, although no ratings had been changed as of that date. In the next regularly scheduled BLPS, conducted in October, the percentage of banks reporting tightening terms and standards for C&I loans, which had been declining, moved up. Banks primarily cited deterioration in economic conditions as a reason for tightening.

The October BLPS also asked banks whether they saw any persistent effect on the secondary market for loans from the events of September 11. Sixty-four percent of banks, on net, indicated that trading volume in the secondary loan market had declined, and 62 percent, on net, indicated that bid–asked spreads had increased. However, bid–asked spreads in the secondary market had largely returned to late-August levels by January 2002, according to trade association reports.

1. See also "Monetary Policy Report to the Congress," *Federal Reserve Bulletin*, vol. 88 (March 2002), pp. 141–72, especially the box "Monetary Policy after the Terrorist Attacks" (p. 142).

lending and lending for the purchase or carrying of securities.

Securities

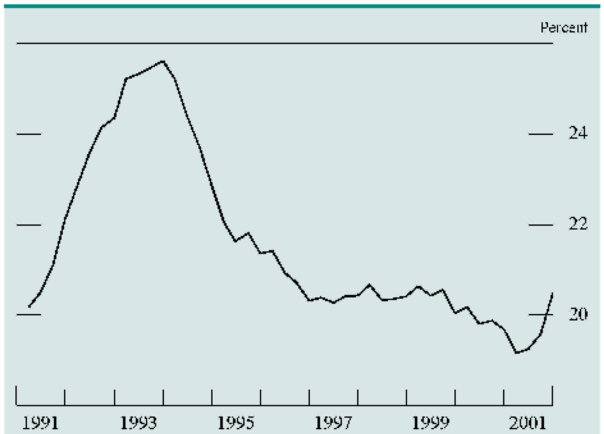
Banks' holdings of securities expanded 7.6 percent last year, 1.3 percentage points more than in 2000. The growth was entirely in banks' investment accounts, as security holdings in trading accounts ran off last year after a rapid expansion in 2000. At year-end, 22.8 percent of banks' assets consisted of securities, a share in line with historical norms but the highest proportion since the fourth quarter of 1999 (chart 10).

Banks' investment accounts grew 9.3 percent during 2001. Most of this increase was due to mortgage-backed securities, which expanded 30 percent and climbed as a share of investment account securities from 44 percent in the fourth quarter of 2000 to 52 percent in the fourth quarter of 2001. Treasury securities, by contrast, fell 40 percent, to only 4 percent of investment securities holdings at year-end, down from 29 percent in 1991.

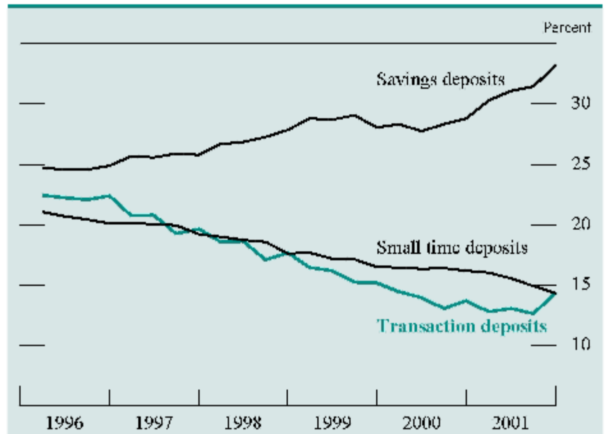
The strength of the residential mortgage market in 2001 boosted volume in the mortgage-backed securities market. At the same time, the paydown of the federal debt last year reduced relative rates of return available on Treasury securities. The shift in the relative return likely provided some of the motivation for the shift in banks' security holdings from Treasury securities to mortgage-backed securities.

A large share of the investment portfolio (that designated "available for sale") must be marked to market; declines in intermediate and longer-term interest rates during the second half of 2000 raised

10. Bank holdings of securities as a share of total bank assets, 1991–2001



11. Selected domestic liabilities at banks as a share of their total domestic liabilities, 1996–2001



the market value of securities held in investment accounts to above book value in the first quarter of 2001. With short- and intermediate-term rates falling, the rise in the ratio of market value to book value continued during the course of the year and accounted for about 1.6 percentage points of reported growth of the value in investment account securities in 2001. These unrealized gains contributed to the rise in equity capital last year (see below).

Liabilities

Deposit rates moved down last year, but in the case of liquid deposits, by less than the substantial decline in shorter-term market rates induced by the policy easings. As the opportunity cost of holding these deposits declined, the growth of core deposits accelerated from 7.5 percent in 2000 to 10.7 percent in 2001, the fastest pace since 1986. The pickup in transaction deposits was almost entirely in the fourth quarter, when these accounts grew at a stunning 59 percent annual rate, possibly as part of an effort by businesses to increase their liquidity. Savings deposits increased rapidly over the course of the year, while small time deposits declined (chart 11). Core deposits at year-end represented 54 percent of bank liabilities, the highest share since the financial market disruptions during the fourth quarter of 1998.

Given the strong inflows of core deposits, banks reduced their managed liabilities 2.8 percent, thereby partly unwinding an 8.8 percent jump in 2000. Much of the runoff was in the fourth quarter, when transaction deposits surged. Most of the components of managed liabilities followed a similar pattern. Foreign deposits, the largest component, declined the most, 11 percent. Domestic large time deposits eked out weak growth in the first two quarters before declining in the second half of the year; the declines were at the largest 100 banks, where managed liabilities fell 5 percent over the year. At banks not in the top 100, managed liabilities rose 8 percent, which was still a deceleration from the 20 percent increase posted in 2000.

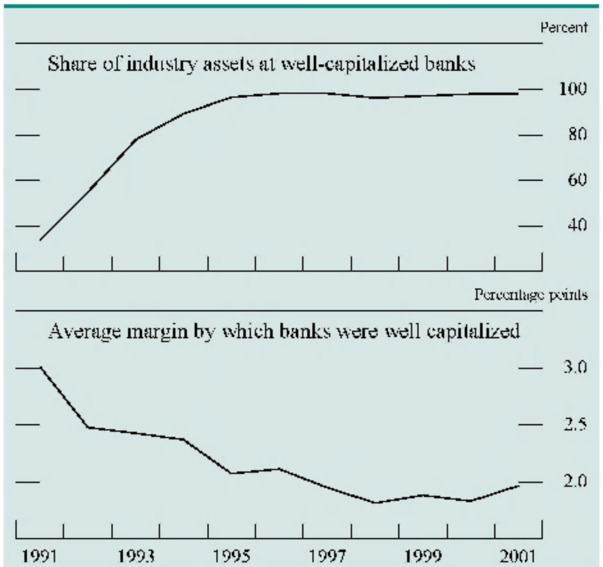
Capital

Equity capital advanced nearly $67 billion, or 12.8 percent, in 2001, the fastest growth since 1992. Net income, after taxes, increased $5.7 billion, to $75 billion, allowing banks to boost retained income $3 billion, to $20 billion, even after dividends were increased. Paid-in capital increased $41 billion, of which about $25 billion was attributable to new capital. Capital infusions by the banks' parent holding companies contributed $17 billion to new capital, the largest dollar increase in over a decade. The remaining expansion in paid-in capital was due to an increase in value attributed to goodwill. Unrealized gains on available-for-sale securities accounted for $4 billion of last year's increase in equity capital.

Virtually all assets in the commercial banking system were at well-capitalized banks (chart 12, top panel), and the average margin by which domestic commercial banks remained well capitalized increased after a slight decline in 2000 (chart 12, bottom panel).[3] Tier 1 capital grew 8.4 percent

3. Well-capitalized banks are those with a total capital ratio greater than 10; a tier 1 ratio greater than 6; a leverage ratio greater than 5; and a composite CAMELS rating of 1 or 2. Each letter in the CAMELS stands for a key element of bank financial condition—

12. Assets and regulatory capital at well-capitalized banks, 1991–2001



NOTE. For the definition of well capitalized and of the margin by which banks remain well capitalized, see text note 3.

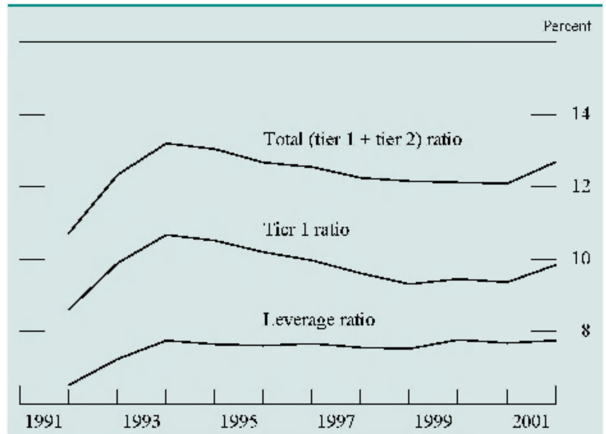
over the past year, while tier 2 capital expanded 8.1 percent.

Banks shifted their asset portfolios away from loans and leases, most of which have full risk weights, and toward government and agency securities, which have lower risk weights. This shift caused risk-weighted assets to grow 2 percentage points less than total assets and caused the ratio of tier 1 capital to risk-weighted assets to grow steadily over the year (chart 13). The ratio of total capital to risk-weighted assets increased 60 basis points between the fourth quarter of 2000 and the fourth quarter of 2001. The leverage ratio, which does not take account of the shifting mix of bank assets, increased just 8 basis points.[4]

capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risks. The average margin by which banks remained well capitalized was computed as follows. First, among the leverage, tier 1, and total capital ratios of each well-capitalized bank, the institution's tightest capital ratio is defined as the one closest to the regulatory standard for being well capitalized. The bank's margin is then defined as the percentage-point difference between its tightest capital ratio and the corresponding regulatory standard. The average margin among all well-capitalized banks—the measure referred to in the text—is the weighted average of all the individual margins, with the weights being each bank's share of the total assets of well-capitalized banks.

4. The tier 1 ratio is the ratio of tier 1 capital to risk-weighted assets, and the total ratio is the ratio of the sum of tier 1 and tier 2 capital to risk-weighted assets. Tier 1 capital consists primarily of common equity (excluding intangible assets such as goodwill and excluding net unrealized gains on investment account securities classified as available for sale) and certain perpetual preferred stock. Tier 2 capital consists primarily of subordinated debt, preferred stock not included in tier 1 capital, and loan-loss reserves. Risk-weighted assets are calculated by multiplying the amount of assets and the credit-equivalent amount of off-balance-sheet items (an estimate of the potential credit exposure posed by the item) by the risk weight for each category. The risk weights rise from zero to 1 as the credit risk of the assets increases. The leverage ratio is the ratio of tier 1 capital to average tangible assets. Tangible assets are equal to total assets less assets excluded from common equity in the calculation of tier 1 capital.

13. Regulatory capital ratios, 1991–2001



NOTE. For the definition of capital ratios, see text note 4.

Derivatives

The use of off-balance-sheet derivatives contracts at banks has continued to increase. The fair value, or replacement price, of banks' derivatives contracts that had positive value was $643 billion at the end of last year, which is equivalent to about 10 percent of bank assets. Banks also had derivatives contracts with a negative fair value of $612 billion. The resulting net fair value of $31 billion is a marked increase from $2 billion in 2000 and was the largest amount since information became available on the fair value of derivatives contracts in 1995.

The notional value of the derivatives contracts—the value of the underlying assets used to compute the stream of payments that the derivatives contract is expected to produce—was about $45.5 trillion, or about seven times the value of bank assets in 2001. By comparison, in 1997 the notional value was about $25.5 trillion, or five times the value of bank assets. Use of derivatives contracts remains highly concentrated, with the ten largest banks holding 97 percent of derivatives contracts by either notional value or gross fair value.

The three most common types of derivatives contracts are forwards, options, and swaps. Forwards are agreements to buy or sell something for a designated price at a particular future date. Options give the holder the opportunity to buy or sell an asset for a designated price by a particular future date. Swaps can be viewed as a combination of several forward contracts generally involving the exchange of the streams of payments from two underlying assets. Swaps accounted for 56 percent of all bank derivatives contracts by notional value.

Banks employ derivatives contracts in several areas. Interest rate contracts are by far the most common and comprised about 84 percent of the notional value of all bank derivatives contracts in 2001. This share has been rising steadily over the past decade. Swaps are the most common type of interest rate contract. Foreign exchange contracts continue to be the second most important category of derivatives contract, although the notional value of the contracts held by the banks has plateaued over the last several years. Sixty-eight percent of foreign exchange contracts held by banks are forward contracts. Equity and commodity contracts had been increasing rapidly in importance at banks until last year, when their value fell, likely because of the decline in the value of equities and commodities.

The least common category of derivatives held by banks, credit derivatives, are usually structured so that the seller (guarantor) pays the buyer (beneficiary) in the event that an asset held by the beneficiary goes into default. Banks act as guarantors on some contracts and beneficiaries on others. In the role of beneficiary for these derivatives, banks reduce the risk associated with their loans while maintaining a relationship with their borrowers. When acting as the guarantor for these contracts, banks use their credit evaluation skills to diversify risks without making new loans. Currently these contracts are less than 1 percent of the total notional value of banks' derivative contracts. Last year was the first since 1996 (when data became available) in which the notional value of banks' contracts as guarantors (which rose in 2001) exceeded the notional value of their contracts as beneficiaries (which fell). The gross value of these contracts was down slightly for the year.[5]

Trends in Profitability

Total net income of commercial banks rose 8 percent in 2001, to $75.3 billion. A notable share of the increase reflected the markedly improved profitability of banks that had booked substantial one-time charges in 2000. Despite the economic slowdown and associated asset quality problems, the number of banks that had negative net income remained about unchanged from 2000, at 624. Moreover, the banks that lost money held only 1.3 percent of industry assets last year, a sharp drop from 4.7 percent in 2000, and the smallest share since 1997.

Industrywide return on assets (ROA) edged up 1 basis point in 2001, to 1.19 percent (table 2). ROA was bolstered by realized gains on investment account securities generated by lower interest rates and by a decline in noninterest expense, the latter mostly reflecting the relative absence of restructuring costs at the largest banks. These developments were just large enough to offset soaring provisions for loan losses that were necessitated by the deterioration in asset quality. In contrast to 2000, when small banks were the only size group to show profit gains, the increase in net income was concentrated at the largest banks last year.

Although dividends grew 5 percent in 2001, these payments, made primarily to parent holding com-

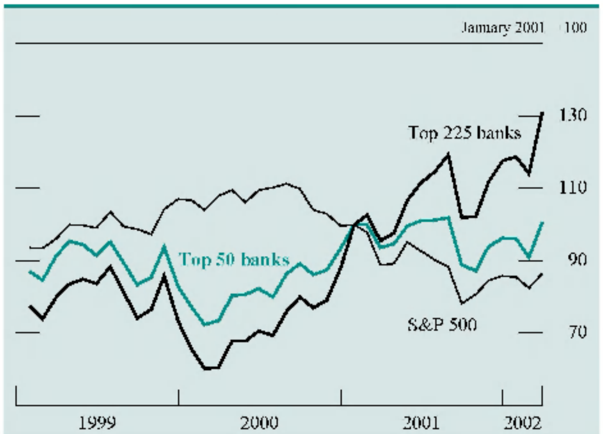
5. For more information on derivatives contracts at banks, see English and Nelson, "Profits and Balance Sheet Development at U.S. Commercial Banks in 1997"; and Gerald A. Edwards, Jr., and Gregory E. Eller, "Derivatives Disclosures by Major U.S. Banks, 1995," *Federal Reserve Bulletin*, vol. 82 (September 1996), pp. 791–801.

2. Selected income and expense items as a proportion of assets, 1992–2001

Percent

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net interest income	3.89	3.90	3.78	3.72	3.73	3.67	3.52	3.52	3.43	3.45
Noninterest income	1.95	2.13	2.00	2.02	2.18	2.23	2.40	2.65	2.58	2.54
Noninterest expense	3.86	3.94	3.75	3.64	3.71	3.61	3.77	3.76	3.65	3.58
Loss provisioning	.78	.47	.28	.30	.37	.41	.41	.39	.50	.68
Realized gains on investment account securities	.11	.09	−.01	.01	.03	.04	.06	.00	−.04	.07
Income before taxes and extraordinary items	1.32	1.70	1.73	1.81	1.85	1.93	1.80	2.03	1.81	1.79
Taxes and extraordinary items	.43	.62	.58	.63	.65	.68	.63	.73	.63	.59
Net income (return on assets)	.91	1.20	1.15	1.18	1.20	1.25	1.19	1.31	1.18	1.19
Dividends	.41	.62	.73	.75	.90	.90	.80	.96	.89	.87
Retained income	.49	.58	.42	.43	.30	.35	.39	.35	.29	.32

14. Indexes of bank stock prices and the S&P 500, 1999–March 2002



NOTE. Banks are ranked by market value, and stock prices are weighted by market value.
SOURCE. Standard and Poor's and *American Banker*.

15. Net interest margin, by size of bank, 1985–2001

NOTE. Net interest margin is net interest income divided by average interest-earning assets. For definition of bank size, see text note 1.

panies, decreased 2 basis points as a percentage of assets after having declined 7 basis points in 2000. Because dividend growth trailed that of net income, retained income rose from 0.29 percent of assets in 2000, the lowest level in a decade, to 0.32 percent last year. A significant advance in equity capital at banks last year outstripped profit growth, and return on equity fell about 40 basis points, to 13.6 percent.

In part as a result of their strong earnings performance relative to some other sectors of the economy, the stocks of the top 50 BHCs (by market value) outperformed the S&P 500 in 2001 (chart 14). However, concerns about credit quality plagued these companies all year, and the exposure of several of the largest BHCs to Enron and Argentina somewhat damped investor optimism late in the year. A broader index of bank stocks, encompassing the top 225 BHCs, substantially outperformed the top 50 BHC index last year.

Interest Income and Expense

Gross interest expense dropped 14 percent relative to 2000, while gross interest income fell only 3.8 percent, a differential resulting in an 8 percent increase in net interest income. Interest-earning assets grew only half that rate; as a result, the nearly decade-long decline in industrywide net interest margins (NIM)—the ratio of net interest income to average interest-earning assets—was arrested, with the measure rising 5 basis points, to 3.98 percent (chart 15).

The increase in NIM was almost entirely attributable to the ten largest banks, where it climbed 19 basis points, to 3.57 percent (chart 15). Much of the increase at the ten largest banks, however, can be explained by changes in the lineup of banks in the group as a result of mergers during the year and a very large increase at one other bank that was in the group in both years. NIM also rose slightly at both large and medium-sized banks. By contrast, weakness during the first half of the year caused NIM to fall 15 basis points, to 4.41 percent, at small banks last year.

Although NIM edged up over the first three quarters of last year, on net, the bulk of the increase in NIM occurred in the fourth quarter. The sharp and unexpected drop in short-term interest rates after the terrorist attack of September 11 may have benefited banks by temporarily trimming liability costs more rapidly than asset returns. Moreover, the surge in demand for core deposits that resulted from lower interest rates and heightened demand for safe and liquid assets allowed banks to substitute this relatively low-interest-rate funding for their higher-yielding managed liabilities.

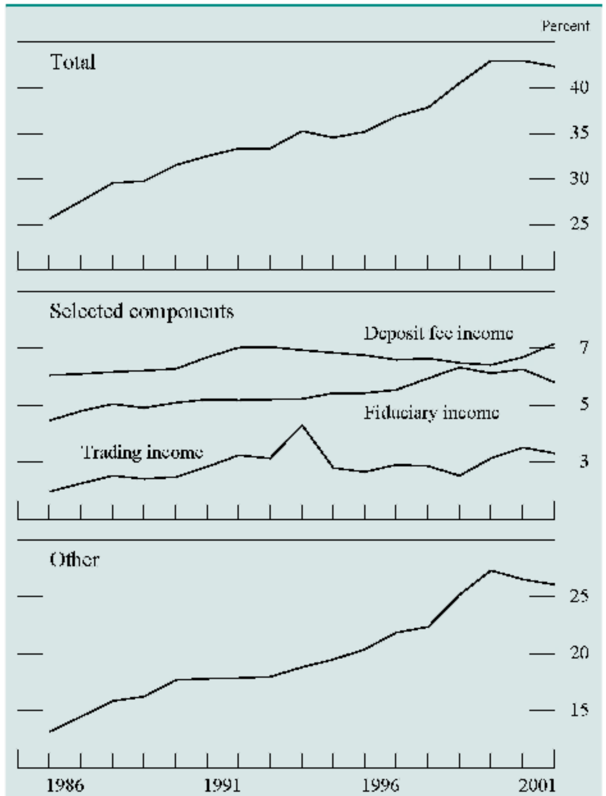
NIM may also have been boosted by more restrictive lending practices. During the past several years, a substantial majority of the largest commercial banks has reported in the BLPS that they were widening the spreads of business loan rates over their cost of funds; in 2001, smaller fractions of banks also indicated that they were increasing spreads on consumer loans. On the other hand, the same banks have also been tightening lending standards, which would tend to lower the average interest rate spread because higher-quality borrowers generally merit better terms.

Noninterest Income and Expense

The 5.4 percent growth of noninterest income at commercial banks is slightly below that of the previous year and a marked slowdown from the double-digit gains of the late 1990s. The ratio of noninterest income to total revenue, which had been trending up for most of the past decade, flattened out in 2000 and slipped somewhat in 2001 (chart 16, top panel). The slowdown in the growth of noninterest income in 2001 reflects a decline in fiduciary income, primarily fees received for services rendered by bank trust departments (chart 16, middle panel). In addition, trading revenue inched up just 1 percent after two years of double-digit growth. By contrast, deposit fees rose 14 percent as banks' reported efforts to increase fee income from these accounts appear to have borne fruit. Revenue from the sale and servicing of mutual funds also grew significantly, but that activity accounts for less than 5 percent of total noninterest income.

Other noninterest income, which accounts for more than 60 percent of total noninterest income, grew 5.2 percent in 2001, a pace about double that of 2000. As of 2001, the Call Report contains much greater detail on several components of revenue previously aggregated in this category, as shown here.

16. Noninterest income and its components as a share of total revenue, 1985–2001



Distribution of other noninterest income as a share of total revenue, 2001

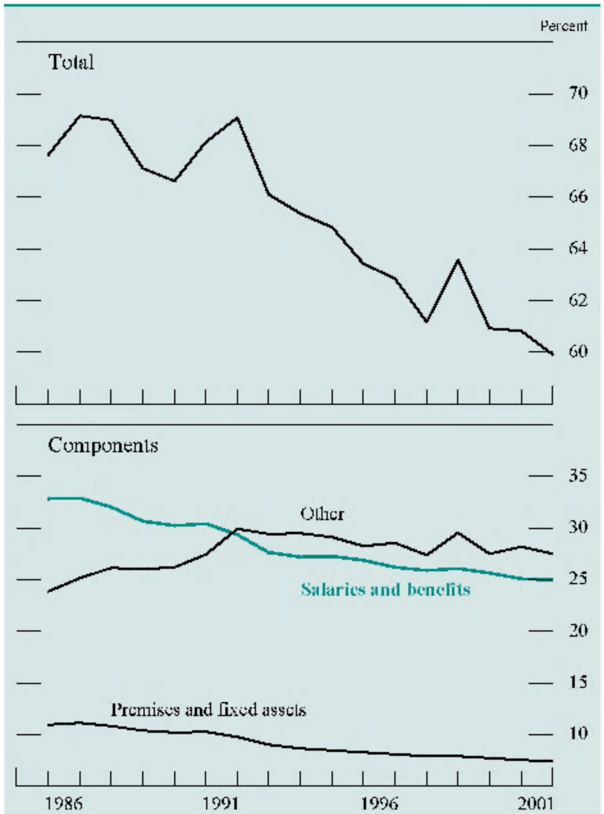
Item	Percent
Securitization income	4.3
Loan servicing fees	3.0
Capital market fees	2.5
Gains from loan sales	1.2
Insurance fees	.8
Gains from sales of other assets	.6
Venture capital gains	–.2
Residual other noninterest income	13.9
Total	**26.1**

The itemization reveals that a significant portion of noninterest income last year resulted from activities that are closely linked to banks' traditional business of making loans. Income derived from loan securitizations accounted for about 4 percent of banks' total revenue, and an additional 3 percent of their revenue came from loan servicing fees. Profits on the sales of loans and other assets (not including securities) accounted for almost another 2 percent of total revenue in 2001.

Most of the revenue generated by capital markets business conducted by BHCs remains outside the purview of their commercial bank subsidiaries. Fees and commissions from investment banking, advisory, brokerage, and underwriting activities accounted for just 2.5 percent of total commercial bank revenue in 2001, as opposed to about 15 percent of revenue at the top 50 BHCs. Venture capital activity, which has been highly publicized in recent years, accounted for a tiny loss at commercial banks last year. Commercial banks generated just 0.8 percent of their total revenue from commissions and fees on insurance products. The residual category, which includes income from professional services, fees earned on credit cards, and ATM surcharges, accounted for about 14 percent of total revenue and one-third of total noninterest income.

The long-term downward trend in the ratio of noninterest expense to total revenue had stalled in recent years as a string of mergers and subsequent restructuring at several large banks boosted costs. Last year, however, this effect was considerably reduced, and the ratio declined nearly a full percentage point, to 59.9 percent (chart 17, top panel). A rise in industry employment of about 2 percent helped push up total salary and wage costs 6.3 percent, a rate slightly less than the growth of revenue (chart 17, bottom panel). Similarly, the ratio of the cost of

17. Noninterest expense as a proportion of revenue, 1985–2001



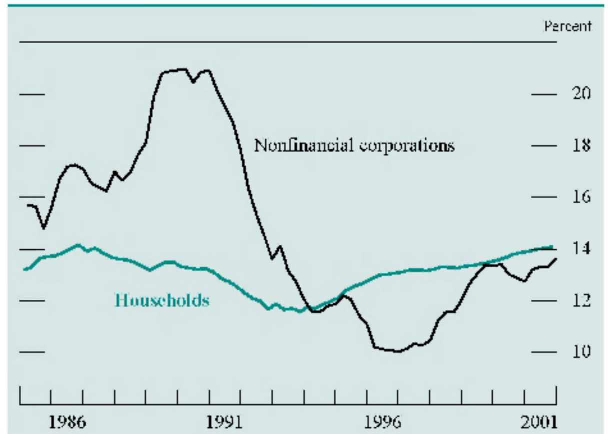
premises and fixed assets to total revenue edged down again last year. Other components of noninterest expense grew but still fell to 27.5 percent of revenue.

Loan Performance and Loss Provisioning

The credit quality of banks' loan portfolios, already worsening because of the economic slowdown, came under further pressure over the final third of the year from the dislocations in the economy caused by the terrorist attacks on September 11, as well as the highly publicized problems at Enron and in Argentina. The deterioration was most pronounced in the business sector, where delinquency and net charge-off rates increased substantially for the second consecutive year, particularly in the fourth quarter. Pressures on businesses were reflected in an increase in their debt-service burden as lower interest rates and associated refinancing were more than offset by the decline in profits last year (chart 18).

On the household side, delinquency rates on credit cards and other consumer loans rose, on balance, last

18. Debt burdens of businesses and households, 1985–2001



NOTE. The debt burden for nonfinancial corporations is calculated as interest payments as a percentage of cash flow. The debt burden for households is an estimate of the ratio of debt payments to disposable personal income; debt payments consist of the estimated required payments on outstanding mortgage and consumer debt.

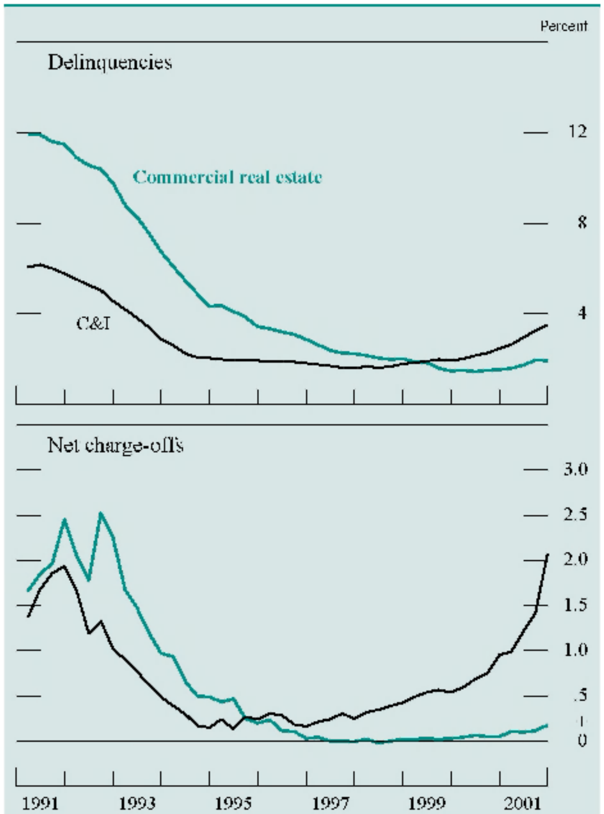
SOURCE. National income and product accounts and the Federal Reserve System.

year. The increases were exacerbated by a further rise in the ratio of household debt-service payments to disposable income, which reached its highest level in fifteen years. In addition, the personal bankruptcy rate surged last year, probably because of efforts by debtors to file in advance of legislation that they viewed as making bankruptcy less attractive. By contrast, delinquency rates on residential mortgages remained at a relatively low level.

C&I Loans

The delinquency rate on C&I loans, which has been increasing since 1998, jumped more than 1 percentage point in 2001, reaching 3.50 percent (chart 19, top panel). Moreover, banks aggressively charged off loans during the fourth quarter of last year, thereby keeping the delinquency rate from rising even further (chart 19, bottom panel). Indeed, the charge-off rate on C&I loans during the fourth quarter exceeded the previous peak reached in the fourth quarter of 1991. The high ratio of charge-offs to delinquencies last year may reflect, in part, banks' sales of troubled loans in the secondary loan market because banks must charge off the difference between the book value and fair market value of the loan when it is transferred to the held-for-sale account. While most of the deterioration in commercial credit quality last year occurred at the largest banks, delinquency and charge-off rates on business loans at smaller banks also increased somewhat.

19. Delinquency and charge-off rates for loans to businesses, by type of loan, 1991–2001



NOTE. The data are seasonally adjusted. Delinquent loans are loans that are not accruing interest and those that are accruing interest but are more than thirty days past due. The delinquency rate is the end-of-period level of delinquent loans divided by the end-of-period level of outstanding loans. The net charge-off rate is the annualized amount of charge-offs over the period, net of recoveries, divided by the average level of outstanding loans over the period.

Commercial Real Estate Loans

Vacancy rates for commercial office space increased sharply last year, while commercial rents and property values stagnated. However, these indicators of the health of the commercial real estate sector have not deteriorated to the extent that they did during the last recession in the early 1990s, and commercial real estate loans continued to perform relatively well last year. Although their delinquency rate picked up somewhat in 2001, it remained at historically low levels of less than 2 percent, and net charge-off rates edged up only slightly.

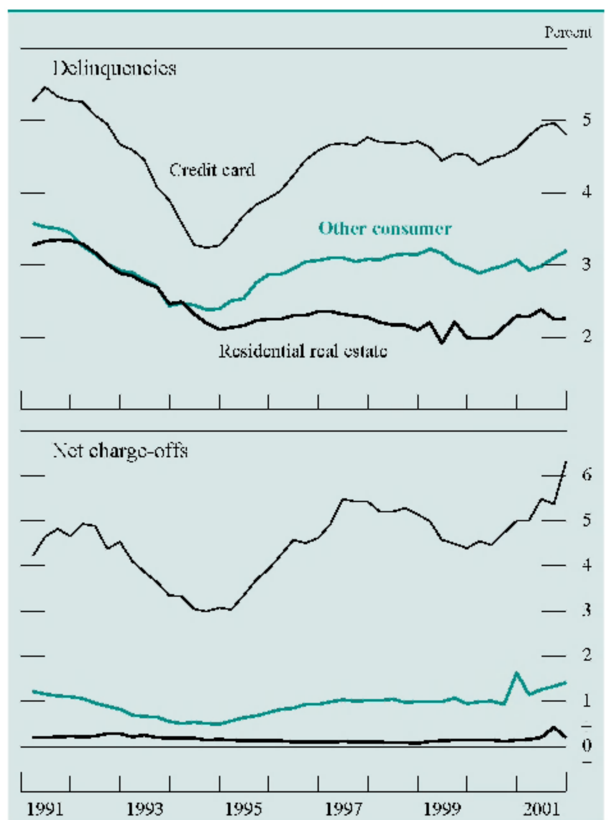
The resilience of credit quality in the commercial real estate market may also reflect the tightening of credit standards in this sector that was reported in the BLPS as early as 1998. The tightening has continued this year: In the January 2002 survey, 43 percent of domestic banks, on net, indicated that they had reduced maximum loan-to-value ratios in 2001, up from 10 percent that reported having done so a year earlier. Moreover, 52 percent, on net, reported that they required higher debt-service-coverage ratios in 2001, up from 37 percent in the previous year's survey.

Loans to Households

The delinquency and net charge-off rates on credit card loans drifted upward through the third quarter of 2001 as the slumping economy took its toll on indebted consumers (chart 20). During the fourth quarter, credit card loan charge-offs jumped to the highest rate on record—and by enough to account for the entire decline in the credit card delinquency rate during that quarter. On balance, the delinquency rate on credit card loans increased 19 basis points, to 4.80 percent, over the year.

Some of the increase in the delinquency and charge-off rates on credit card loans probably stems from the jump in the personal bankruptcy rate. In

20. Delinquency and charge-off rates for loans to households, by type of loan, 1991–2001



NOTE. See note to chart 19.

addition, the increase likely reflects deterioration in the quality of loans to so-called subprime borrowers, among whom delinquency rates skyrocketed last year (chart 21).[6] However, according to the January 2002 BLPS, only a few of the respondent banks make subprime credit card loans, and these loans represent only a small percentage of total loans at those banks. Nonetheless, a majority of the surveyed banks that are active in this market also reported that the performance of loans to these borrowers was worse than they had expected even after accounting for the condition of the economy. Moreover, a small number of institutions specialize in subprime credit card borrowing, and charge-off rates at some of those banks rose substantially last year.

The delinquency rate on consumer installment loans rose 12 basis points, to 3.19 percent, near the top of the range of this series over the past decade. As in the credit card sector, part of this increase reflects a rise in the delinquency rate on subprime loans, presumably for automobiles. In the May 2001 BLPS, banks that reported having tightened credit standards for loans to households indicated that realized and expected increases in consumer delinquency rates were an important reason for changing consumer-lending policies.

The breakneck pace of mortgage refinancing last year also may have helped hold down delinquency rates on consumer loans. As noted earlier, BLPS respondents reported that large fractions of households that took cash out against existing home equity when they refinanced used the proceeds to repay other debt. Indeed, the proportion of households that was reported to have used the proceeds from refinancing to repay other debt was much larger than that for any other single purpose.

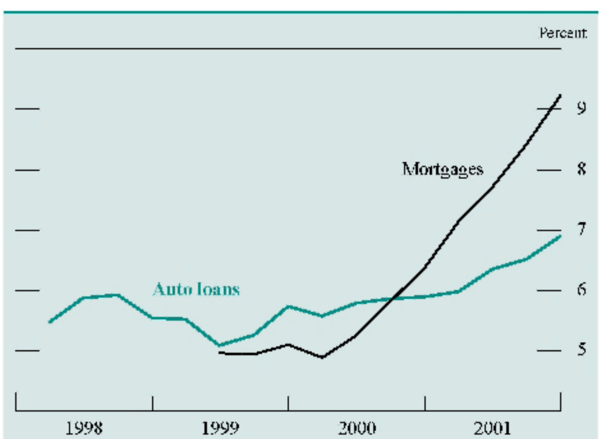
The delinquency rate on residential mortgage loans declined 4 basis points in 2001, to 2.26 percent. In addition, the net charge-off rate on residential mortgages remained very low in 2001, despite a blip in the third quarter of the year that reflected the sale of impaired subprime loans by one large bank. The continuation of robust existing home sales and solid gains in median home prices has undoubtedly helped sustain this performance by making it easier for distressed borrowers or foreclosing banks to sell homes quickly at prices that cover the outstanding mortgage amount. Also, the strong flow of new mortgages helped hold down the delinquency rate because new mortgages are less likely to be delinquent than mortgages that have been outstanding for several years. However, the delinquency rate on securitized residential mortgages, data on which became available in the Call Report only this year, was just under 5 percent, more than double the delinquency rate for mortgages remaining on banks' books.

Loss Provisioning

In response to actual and anticipated loan losses, commercial banks aggressively stepped up loan-loss provisioning in 2001 (chart 22). Loss provisioning, which increased 45 percent in 2001 on the heels of a 41 percent jump in 2000, amounted to 11.4 percent of

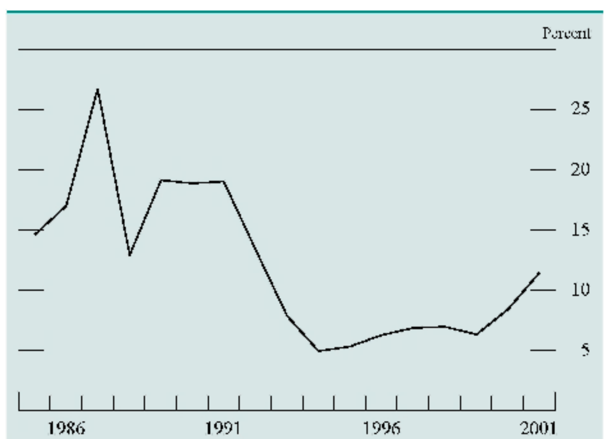
6. No single definition of "subprime" may cover all markets or institutions. A description of "subprime" is presented in the Federal Reserve Supervision and Regulation letter dated January 31, 2001 (SR 01-4).

21. Delinquency rates for subprime loans, by type of loan, 1998–2001

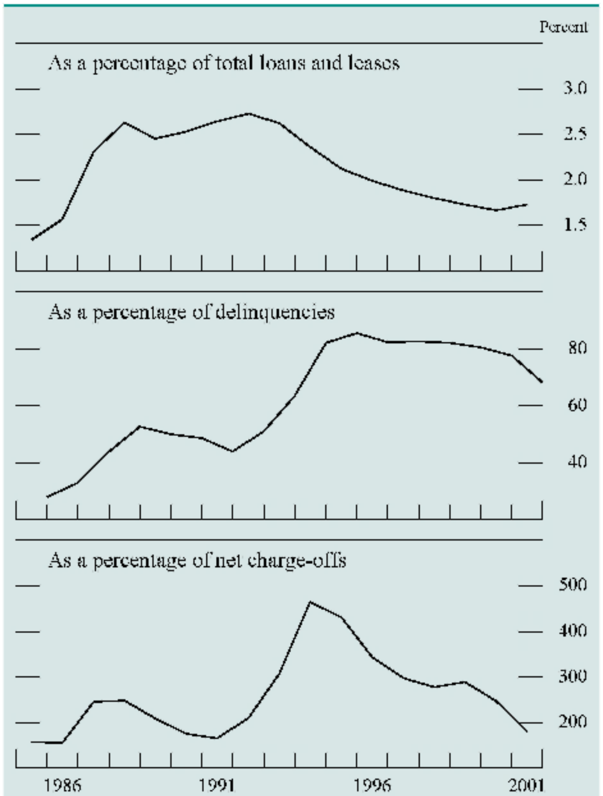


SOURCE. For auto loans, Federal Reserve staff estimates based on data from Moody's Investors Service; for mortgages, Mortgage Information Corporation.

22. Provisioning for loan and lease losses as a percentage of total revenue, 1985–2001



23. Reserves for loan and lease losses, 1985–2001



NOTE. For definitions of delinquencies and net charge-offs, see note to chart 19.

total revenue, the highest percentage since 1992. The increase in the ratio of provisioning to total revenue was particularly acute at the 100 largest banks, while the increase in provisioning at smaller banks was much less pronounced. The sharp rise in loan provisioning exceeded the jump in net charge-offs, resulting in a 12.8 percent advance in loan-loss reserves. That increase easily outstripped the growth of total loans and leases, and the ratio of loan-loss reserves to total loans and leases increased 18 basis points, to 1.85 percent in the fourth quarter—the first year-over-year increase in that ratio since 1992 (chart 23, top panel).

Although the current high levels of capital and profitability provide important additional buffers against further increases in loan losses, some measures of the adequacy of loan-loss reserves fell sharply last year. The ratio of loan-loss reserves to delinquent loans dropped 10 percentage points, to 68 percent, although it remained substantially above the levels posted in the late 1980s and early 1990s (chart 23, middle panel). The significant decline in the ratio of loan-loss reserves to net charge-offs continued a fairly sharp downward trend evident since 1995, and the ratio is now very near its early 1990s lows (chart 23, bottom panel).

INTERNATIONAL OPERATIONS OF U.S. COMMERCIAL BANKS

Sluggish growth in the world economy crimped banks' foreign operations in 2001, particularly in the fourth quarter, when increased loss provisioning in light of economic difficulties in Argentina led to losses on foreign operations at two of the largest banks. Revenue attributable to foreign operations fell to less than 9 percent of total revenue, the smallest share since 1998, when world markets were disrupted by the Russian debt default and several banks posted large losses in their foreign operations. The decline in revenue from foreign operations was especially noticeable at the ten largest banks, and most of the decrease resulted from a sharp fall in noninterest income and a jump in loan-loss provisions.

The share of U.S. bank assets booked at foreign offices fell for the fourth consecutive year, to 11.8 percent. However, a major U.S. bank's acquisition of a large Mexican bank added substantially to the exposure of the U.S. banking sector to that country (table 3). The acquisition was also almost entirely responsible for the climb in the industry's exposure to selected economies in Asia, Latin America, and Eastern Europe, which climbed from 55 percent of tier 1 capital at the end of 2000 to 70 percent at the end of 2001. U.S. banks increased their exposure to Brazil for the second year in a row, and they held their exposure to Russia and the rest of Eastern Europe fairly constant last year. By contrast, banks significantly reduced their exposure to Argentina and also continued to pare back their exposure to emerging Asia.

RECENT DEVELOPMENTS

GDP growth picked up substantially during the first quarter of 2001, but the consensus forecast showed growth slowing down again in the second quarter. Monetary policy entered a holding pattern as the Federal Reserve left the federal funds rate unchanged at the first three meetings of 2002. Longer-term interest rates on government bonds, home mortgages, and investment-grade corporate debt edged up, but the apparently improved economic prospects led to some decline in interest rates on high-yield bonds.

BHC stock prices continued to outperform the S&P 500 index, and the broader index of the top

3. Exposure of banks to selected economies at year-end relative to tier 1 capital, by bank size, 1998–2001

Percent

Bank and year	Selected Asian countries[1]	Eastern Europe		Latin America				Total
		All	Russia	All	Mexico	Argentina	Brazil	
All								
1998	15.49	3.49	.43	42.93	9.88	9.66	11.27	61.90
1999	14.37	2.85	.37	39.00	9.50	9.40	10.49	56.22
2000	13.17	4.35	.49	37.88	9.08	8.41	11.15	55.40
2001	12.09	4.29	.60	54.06	25.97	6.61	12.99	70.44
Money center and other large banks								
1998	24.02	5.61	.68	64.20	14.10	15.19	17.04	93.83
1999	20.73	4.25	.55	53.90	12.62	13.63	14.53	78.88
2000	19.98	6.83	.77	54.98	12.69	12.68	16.40	81.79
2001	17.88	6.47	.91	79.08	38.54	9.79	18.74	103.43
Other								
1998	2.08	.16	.00	9.51	3.24	.97	.00	11.75
1999	1.75	.08	.01	9.41	3.31	1.01	2.47	11.24
2000	1.41	.08	.00	8.35	2.84	1.04	2.08	9.84
2001	1.07	.14	.00	6.45	2.04	.57	2.05	7.66
MEMO								
Total exposure (billions of dollars)								
1998	37.87	8.53	1.05	104.96	24.15	23.62	27.55	151.36
1999	37.45	7.43	.95	101.63	24.77	24.51	27.34	146.51
2000	37.30	12.33	1.39	107.31	25.71	23.82	31.59	156.94
2001	36.32	12.88	1.80	162.39	78.00	19.87	39.01	211.59

NOTE. For definition of tier 1 capital, see text note 4. Exposures consist of lending and derivatives exposures for cross-border and local-office operations. Respondents may file information on one bank or on the bank holding company as a whole.

At year-end 2001, "all reporting" banks consisted of 79 institutions with a total of $300 billion in tier 1 capital; of these institutions, 10 were "large" banks (5 money center banks and 5 other large banks) with $197 billion in tier 1 capital, and the remaining 69 were "other" banks with $104 billion in tier 1 capital. The average "other" bank at year-end 2001 had $20 billion in assets.

1 Indonesia, Korea, Malaysia, Philippines, and Thailand.

SOURCE. Federal Financial Institutions Examination Council Statistical Release E.16, "Country Exposure Survey," available at www.ffiec.gov/E16.htm/

225 BHCs continued to outperform the index of the top 50. Return on assets at commercial banks increased to 1.29 percent in the first quarter, up 10 basis points from the average for 2001. Net interest margins remained higher than their average for all of 2001 but fell back a tad after having jumped in the fourth quarter of last year. Noninterest income rose substantially, reportedly buoyed by continued mortgage refinancing activity. Loss provisioning remained very elevated; although it declined somewhat relative to 2001:Q4, it was well above year-earlier levels. □

Table A.1 begins on page 278.

A.1. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1992–2001

A. All banks

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	88.94	89.06	87.11	86.97	87.38	87.15	86.77	87.05	87.17	86.53
Loans and leases, net	57.30	56.25	56.07	58.37	59.89	58.69	58.33	59.36	60.52	58.98
Commercial and industrial	15.78	14.88	14.51	15.20	15.60	15.78	16.37	17.07	17.16	16.07
U.S. addressees	13.54	12.72	12.35	12.87	13.07	13.18	13.62	14.43	14.67	13.68
Foreign addressees	2.24	2.16	2.16	2.33	2.53	2.60	2.75	2.64	2.49	2.39
Consumer	11.00	11.00	11.43	12.08	12.21	11.44	10.36	9.71	9.38	9.24
Credit card	3.80	3.88	4.21	4.69	4.87	4.55	3.96	3.51	3.52	3.62
Installment and other	7.20	7.11	7.22	7.39	7.34	6.89	6.39	6.20	5.87	5.62
Real estate	24.87	24.80	24.43	25.01	25.06	25.02	24.87	25.44	27.04	27.10
In domestic offices	24.18	24.18	23.80	24.36	24.43	24.41	24.30	24.87	26.50	26.60
Construction and land development	2.64	1.99	1.65	1.59	1.63	1.73	1.86	2.18	2.51	2.84
Farmland	.56	.57	.56	.56	.56	.55	.55	.56	.56	.55
One- to four-family residential	12.91	13.49	13.74	14.42	14.43	14.42	14.26	14.10	14.96	14.66
Home equity	2.09	2.07	1.91	1.88	1.85	1.94	1.89	1.76	1.96	2.18
Other	10.83	11.42	11.84	12.54	12.57	12.48	12.37	12.34	13.00	12.49
Multifamily residential	.75	.79	.79	.81	.85	.83	.82	.88	.99	.97
Nonfarm nonresidential	7.32	7.33	7.07	6.97	6.96	6.88	6.81	7.15	7.48	7.57
In foreign offices	.69	.62	.63	.65	.63	.61	.57	.57	.54	.50
To depository institutions and acceptances of other banks	1.29	1.13	1.47	1.92	2.33	1.93	1.91	1.97	1.87	1.84
Foreign governments	.73	.67	.41	.30	.26	.18	.15	.16	.12	.10
Agricultural production	1.02	.99	1.00	.96	.92	.90	.89	.83	.78	.75
Other loans	3.45	3.50	3.29	3.11	3.32	2.80	2.78	2.75	2.58	2.35
Lease-financing receivables	1.03	.99	1.03	1.19	1.51	1.87	2.14	2.53	2.65	2.62
LESS: Unearned income on loans	−.28	−.21	−.16	−.14	−.12	−.09	−.07	−.06	−.05	−.04
LESS: Loss reserves [1]	−1.60	−1.51	−1.36	−1.26	−1.21	−1.13	−1.07	−1.04	−1.02	−1.04
Securities	23.52	25.37	24.32	21.94	21.01	20.41	20.38	20.40	20.02	19.55
Investment account	21.18	22.50	21.60	19.39	18.20	17.25	17.49	18.34	17.59	16.83
Debt	21.18	22.50	21.21	18.98	17.75	16.75	16.94	17.73	16.93	16.50
U.S. Treasury	n.a.	n.a.	6.71	5.25	4.20	3.38	2.71	2.14	1.66	.85
U.S. government agency and corporation obligations	n.a.	n.a.	10.26	9.81	9.75	9.74	10.28	10.85	10.31	10.08
Government-backed mortgage pools	n.a.	n.a.	4.70	4.47	4.80	4.94	5.17	5.24	4.75	5.13
Collateralized mortgage obligations	n.a.	n.a.	3.19	2.67	2.11	1.94	2.13	2.15	1.92	1.96
Other	n.a.	n.a.	2.36	2.68	2.83	2.86	2.99	3.46	3.63	2.99
State and local government	n.a.	n.a.	2.01	1.80	1.68	1.59	1.57	1.62	1.52	1.49
Private mortgage-backed securities	n.a.	n.a.	.64	.62	.61	.50	.67	.88	.95	1.09
Other	n.a.	n.a.	1.56	1.49	1.51	1.54	1.71	2.24	2.48	2.98
Equity [2]	n.a.	n.a.	.39	.41	.45	.50	.55	.61	.66	.34
Trading account	2.34	2.87	2.71	2.55	2.81	3.16	2.90	2.06	2.43	2.72
Gross federal funds sold and reverse RPs	4.54	4.27	3.82	3.93	3.82	5.18	5.37	4.61	4.12	5.11
Interest-bearing balances at depositories	3.58	3.18	2.90	2.73	2.66	2.86	2.69	2.68	2.52	2.90
Non-interest-earning assets	11.06	10.94	12.89	13.03	12.62	12.85	13.23	12.95	12.83	13.47
Revaluation gains held in trading accounts [3]	n.a.	n.a.	2.95	2.90	2.25	2.59	2.95	2.57	2.29	2.37
Other	11.06	10.94	9.94	10.12	10.38	10.26	10.28	10.38	10.54	11.10
Liabilities	92.82	92.15	92.12	91.99	91.73	91.57	91.51	91.51	91.58	91.24
Interest-bearing liabilities	75.32	73.92	71.86	71.86	71.62	71.36	71.32	72.51	73.30	72.46
Deposits	62.94	60.26	57.34	56.30	55.87	55.01	54.66	54.79	54.67	54.61
In foreign offices	8.37	8.32	9.39	10.28	10.01	10.02	10.15	10.46	10.92	10.18
In domestic offices	54.56	51.94	47.96	46.03	45.86	44.99	44.51	44.33	43.75	44.43
Other checkable deposits	7.65	8.24	7.80	6.63	4.75	3.62	3.11	2.81	2.46	2.37
Savings (including MMDAs)	20.28	20.91	19.60	17.48	18.71	19.12	19.91	21.00	20.64	22.29
Small-denomination time deposits	19.21	16.98	15.33	16.14	15.97	15.17	14.15	13.10	12.49	11.60
Large-denomination time deposits	7.42	5.81	5.23	5.77	6.42	7.08	7.33	7.42	8.16	8.17
Gross federal funds purchased and RPs	7.02	7.47	7.60	7.71	7.18	8.13	7.99	7.97	7.83	7.95
Other	5.36	6.19	6.92	7.85	8.56	8.21	8.68	9.75	10.79	9.90
Non-interest-bearing liabilities	17.50	18.23	20.26	20.13	20.11	20.21	20.18	19.00	18.28	18.78
Demand deposits in domestic offices	13.24	13.86	13.49	12.68	12.82	12.16	11.00	9.78	8.62	8.00
Revaluation losses held in trading accounts [3]	n.a.	n.a.	2.69	2.88	2.14	2.64	2.97	2.52	2.29	2.21
Other	4.27	4.37	4.55	4.57	5.14	5.42	6.21	6.70	7.37	8.58
Capital account	7.18	7.85	7.88	8.01	8.27	8.43	8.49	8.49	8.42	8.76
MEMO										
Commercial real estate loans	11.34	10.63	9.94	9.83	9.92	9.99	10.12	10.87	11.58	12.09
Other real estate owned	.82	.63	.36	.19	.14	.11	.08	.06	.05	.05
Managed liabilities	28.70	28.28	29.61	32.08	32.73	34.09	34.94	36.58	38.82	37.39
Average net consolidated assets (billions of dollars)	3,442	3,566	3,863	4,148	4,376	4,733	5,144	5,439	5,905	6,334

A.1.—Continued

A. All banks

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Effective interest rate (percent)[1]									
Rates earned										
Interest-earning assets	8.27	7.61	7.61	8.33	8.14	8.15	7.99	7.70	8.23	7.43
Taxable equivalent	8.37	7.71	7.70	8.40	8.21	8.22	8.06	7.76	8.27	7.51
Loans and leases, gross	9.20	8.69	8.62	9.25	8.99	9.01	8.84	8.48	9.01	8.24
Net of loss provisions	7.87	7.87	8.12	8.74	8.39	8.34	8.15	7.83	8.19	7.10
Securities	7.04	6.08	5.96	6.51	6.42	6.50	6.37	6.25	6.53	6.02
Taxable equivalent	7.34	6.36	6.20	6.73	6.66	6.73	6.63	6.46	6.65	6.31
Investment account	7.11	6.07	5.79	6.35	6.35	6.45	6.29	6.23	6.52	5.98
U.S. Treasury securities and U.S. government agency obligations (excluding MBS)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.73
Mortgage-backed securities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.22
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.74
Trading account	6.40	6.16	7.41	7.73	6.86	6.75	6.85	6.47	6.63	6.35
Gross federal funds sold and reverse RPs	3.58	3.04	4.26	5.63	5.21	5.45	5.29	4.78	5.56	3.90
Interest-bearing balances at depositories	7.31	6.61	5.71	6.84	6.20	6.23	6.32	5.95	6.48	4.03
Rates paid										
Interest-bearing liabilities	4.75	4.01	4.01	4.99	4.82	4.92	4.88	4.47	5.17	4.18
Interest-bearing deposits	4.51	3.65	3.53	4.47	4.33	4.39	4.31	3.87	4.45	3.64
In foreign offices	7.32	6.82	5.59	6.12	5.54	5.44	5.66	4.91	5.61	3.95
In domestic offices	4.07	3.14	3.14	4.11	4.07	4.16	4.01	3.63	4.18	3.57
Other checkable deposits	2.70	1.99	1.85	2.06	2.04	2.25	2.29	2.08	2.34	1.96
Savings (including MMDAs)	3.25	2.50	2.58	3.19	2.99	2.93	2.79	2.49	2.86	2.21
Large time deposits[5]	4.90	4.00	4.09	5.47	5.39	5.45	5.22	4.92	5.78	5.08
Other time deposits[5]	5.15	4.19	4.17	5.44	5.40	5.54	5.48	5.09	5.69	5.48
Gross federal funds purchased and RPs	3.64	3.07	4.18	5.65	5.12	5.17	5.19	4.73	5.77	3.85
Other interest-bearing liabilities	7.87	8.02	7.25	7.47	6.93	6.95	6.89	6.48	6.97	5.99
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	7.45	6.86	6.65	7.29	7.16	7.15	6.98	6.73	7.19	6.45
Taxable equivalent	7.54	6.94	6.73	7.35	7.21	7.20	7.03	6.78	7.23	6.49
Loans	5.40	5.00	4.91	5.48	5.47	5.40	5.27	5.12	5.54	4.97
Securities	1.51	1.37	1.25	1.23	1.16	1.11	1.10	1.14	1.15	1.01
Gross federal funds sold and reverse RPs	.17	.13	.17	.23	.21	.29	.29	.23	.23	.20
Other	.37	.36	.33	.35	.32	.35	.32	.24	.27	.24
Gross interest expense	3.56	2.96	2.87	3.57	3.43	3.48	3.46	3.22	3.76	3.00
Deposits	2.87	2.23	2.05	2.54	2.46	2.48	2.43	2.20	2.56	2.10
Gross federal funds purchased and RPs	.27	.24	.32	.44	.38	.43	.43	.39	.45	.31
Other	.42	.50	.50	.58	.59	.56	.59	.63	.75	.59
Net interest income	3.89	3.90	3.78	3.72	3.73	3.67	3.52	3.52	3.43	3.45
Taxable equivalent	3.98	3.98	3.86	3.79	3.78	3.72	3.57	3.57	3.47	3.49
Loss provisioning[6]	.78	.47	.28	.30	.37	.41	.41	.39	.50	.68
Noninterest income	1.95	2.13	2.00	2.02	2.18	2.23	2.40	2.65	2.58	2.54
Service charges on deposits	.41	.42	.40	.39	.39	.39	.38	.40	.40	.43
Fiduciary activities	.30	.31	.31	.31	.33	.35	.37	.38	.38	.35
Trading revenue	.18	.26	.16	.15	.17	.17	.15	.19	.21	.20
Interest rate exposures	n.a.	n.a.	n.a.	n.a.	.09	.08	.05	.07	.08	.10
Foreign exchange rate exposures	n.a.	n.a.	n.a.	n.a.	.06	.08	.09	.09	.09	.07
Other commodity and equity exposures	n.a.	n.a.	n.a.	n.a.	.02	*	.01	.03	.04	.03
Other	1.05	1.14	1.13	1.17	1.29	1.32	1.49	1.69	1.59	1.56
Noninterest expense	3.86	3.94	3.75	3.64	3.71	3.61	3.77	3.76	3.65	3.58
Salaries, wages, and employee benefits	1.61	1.64	1.58	1.54	1.55	1.53	1.55	1.58	1.51	1.49
Occupancy	.53	.52	.49	.48	.48	.47	.47	.48	.45	.44
Other	1.72	1.78	1.68	1.62	1.69	1.62	1.75	1.70	1.69	1.64
Net noninterest expense	1.91	1.81	1.75	1.62	1.53	1.38	1.36	1.11	1.07	1.05
Gains on investment account securities	.11	.09	−.01	.01	.03	.04	.06	*	−.04	.07
Income before taxes and extraordinary items	1.32	1.70	1.73	1.81	1.85	1.93	1.80	2.03	1.81	1.79
Taxes	.42	.56	.58	.63	.65	.68	.62	.72	.63	.60
Extraordinary items, net of income taxes	.01	.06	*	*	*	*	.01	*	*	−.01
Net income	.91	1.20	1.15	1.18	1.20	1.25	1.19	1.31	1.18	1.19
Cash dividends declared	.41	.62	.73	.75	.90	.90	.80	.96	.89	.87
Retained income	.49	.58	.42	.43	.30	.35	.39	.35	.29	.32
MEMO: Return on equity	12.64	15.32	14.63	14.69	14.52	14.84	14.06	15.41	13.98	13.57

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserves.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
4. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
5. Prior to 1997, large time open accounts included in other time deposits.
6. Includes provisions for allocated transfer risk.

A.1. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1992–2001

B. Ten largest banks by assets

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	85.32	84.90	77.26	77.12	80.12	81.84	81.25	81.49	82.23	81.74
Loans and leases, net	58.34	55.57	49.91	50.05	53.51	50.91	50.76	53.37	55.22	53.86
Commercial and industrial	20.32	18.65	16.43	16.16	17.17	16.90	18.07	19.20	19.86	18.81
U.S. addressees	12.00	10.75	9.16	8.66	9.59	10.24	11.76	13.14	13.95	13.41
Foreign addressees	8.32	7.90	7.27	7.50	7.59	6.66	6.31	6.06	5.92	5.41
Consumer	7.31	7.33	6.59	6.60	6.22	6.40	6.04	5.94	5.43	6.17
Credit card	2.61	2.50	2.28	1.96	1.23	1.34	1.30	1.36	1.34	1.60
Installment and other	4.70	4.83	4.31	4.65	4.99	5.06	4.74	4.58	4.09	4.56
Real estate	19.93	18.54	16.21	15.82	16.53	17.42	16.51	16.96	19.82	19.23
In domestic offices	17.07	15.99	13.80	13.48	14.44	15.69	15.08	15.55	18.48	18.05
Construction and land development	2.48	1.59	.84	.58	.51	.68	.77	.90	.98	1.27
Farmland	.07	.07	.06	.06	.06	.09	.09	.10	.11	.11
One- to four-family residential	10.08	10.29	9.69	9.62	10.43	11.02	10.33	10.77	13.37	12.40
Home equity	1.63	1.60	1.40	1.40	1.53	1.70	1.72	1.54	1.60	1.78
Other	8.46	8.68	8.29	8.22	8.90	9.31	8.61	9.22	11.76	10.63
Multifamily residential	.58	.53	.41	.38	.38	.39	.38	.43	.60	.51
Nonfarm nonresidential	3.86	3.51	2.79	2.83	3.05	3.52	3.51	3.35	3.42	3.76
In foreign offices	2.85	2.55	2.41	2.35	2.09	1.73	1.43	1.41	1.34	1.18
To depository institutions and acceptances of other banks	2.64	2.47	3.49	5.04	6.14	4.20	4.05	4.34	3.78	3.24
Foreign governments	2.75	2.46	1.27	.90	.69	.45	.35	.38	.28	.20
Agricultural production	.28	.27	.25	.21	.23	.31	.28	.26	.23	.28
Other loans	5.97	6.71	6.32	5.76	6.34	4.15	3.74	3.96	3.76	3.51
Lease-financing receivables	1.51	1.30	1.14	1.14	1.59	2.24	2.81	3.40	3.07	3.43
LESS: Unearned income on loans	−.27	−.21	−.16	−.14	−.11	−.07	−.06	−.05	−.04	−.04
LESS: Loss reserves[1]	−2.08	−1.94	−1.63	−1.45	−1.30	−1.08	−1.01	−1.03	−.97	−.97
Securities	19.13	22.74	20.61	19.53	19.83	20.00	19.72	18.34	18.98	17.81
Investment account	10.70	12.45	11.68	10.65	10.60	10.97	12.12	13.08	13.71	12.14
Debt	10.70	12.45	10.10	9.03	8.94	9.42	10.58	11.38	11.97	11.30
U.S. Treasury	n.a.	n.a.	2.06	2.03	1.93	1.56	1.70	1.98	1.96	.68
U.S. government agency and corporation obligations	n.a.	n.a.	5.08	4.46	4.59	5.34	6.31	6.35	6.59	6.84
Government-backed mortgage pools	n.a.	n.a.	2.79	2.89	3.58	4.26	5.13	5.03	4.88	4.99
Collateralized mortgage obligations	n.a.	n.a.	2.22	1.50	.95	.93	.93	.79	.93	1.11
Other	n.a.	n.a.	.06	.08	.06	.15	.26	.52	.78	.74
State and local government	n.a.	n.a.	.61	.49	.39	.51	.47	.45	.51	.55
Private mortgage-backed securities	n.a.	n.a.	.43	.32	.30	.32	.60	.57	.51	.58
Other	n.a.	n.a.	3.03	2.97	3.01	2.81	2.57	3.22	3.47	3.22
Equity[2]	n.a.	n.a.	.39	.38	.38	.42	.47	.51	.68	.26
Trading account	8.43	10.30	8.93	8.88	9.23	9.03	7.60	5.25	5.26	5.67
Gross federal funds sold and reverse RPs	3.23	2.71	2.68	3.20	3.10	7.56	7.81	6.64	5.02	6.38
Interest-bearing balances at depositories	4.61	3.88	4.05	4.34	3.68	3.37	2.96	3.14	3.01	3.69
Non-interest-earning assets	14.68	15.10	22.74	22.88	19.88	18.16	18.75	18.51	17.77	18.26
Revaluation gains held in trading accounts[3]	n.a.	n.a.	11.23	10.77	7.63	7.36	7.62	6.66	5.66	5.47
Other	14.68	15.10	11.51	12.11	12.25	10.80	11.13	11.85	12.10	12.78
Liabilities	94.44	93.24	93.42	93.59	93.04	92.61	92.58	92.28	92.36	92.14
Interest-bearing liabilities	73.08	71.56	64.33	63.37	64.45	65.83	65.81	66.87	67.81	66.76
Deposits	55.73	52.91	48.20	47.49	47.87	47.36	47.65	48.79	49.27	49.09
In foreign offices	27.16	25.51	26.10	28.36	26.41	22.18	20.17	21.04	21.62	19.22
In domestic offices	28.56	27.41	22.10	19.12	21.46	25.18	27.48	27.76	27.66	29.88
Other checkable deposits	3.38	3.45	2.91	2.30	1.61	1.21	.99	.72	.74	.90
Savings (including MMDAs)	14.91	15.33	12.70	10.56	12.31	14.26	15.83	16.84	16.73	19.23
Small-denomination time deposits	5.72	5.09	3.98	4.04	4.68	5.82	6.03	5.66	5.38	5.13
Large-denomination time deposits	4.56	3.53	2.51	2.23	2.86	3.89	4.62	4.54	4.80	4.61
Gross federal funds purchased and RPs	6.19	6.70	5.83	6.17	5.88	10.26	9.78	8.84	8.89	9.04
Other	11.16	11.94	10.29	9.71	10.69	8.20	8.37	9.24	9.65	8.62
Non-interest-bearing liabilities	21.36	21.68	29.09	30.22	28.59	26.78	26.77	25.41	24.56	25.38
Demand deposits in domestic offices	11.05	11.27	10.15	8.88	9.73	8.98	8.46	7.83	7.28	7.50
Revaluation losses held in trading accounts[3]	n.a.	n.a.	10.22	10.68	7.27	7.53	7.67	6.51	5.69	5.10
Other	10.30	10.41	10.51	10.66	11.59	10.27	10.65	11.06	11.59	12.79
Capital account	5.56	6.76	6.58	6.41	6.96	7.39	7.42	7.72	7.64	7.86
MEMO										
Commercial real estate loans	8.01	6.46	4.65	4.40	4.65	5.45	5.61	5.69	5.87	6.68
Other real estate owned	1.13	1.02	.58	.27	.18	.13	.09	.06	.04	.04
Managed liabilities	50.82	49.23	46.21	47.94	47.39	46.02	44.42	45.49	46.84	43.38
Average net consolidated assets (billions of dollars)	775	818	949	1,051	1,189	1,514	1,820	1,935	2,234	2,527

A.1.—Continued

B. Ten largest banks by assets

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Effective interest rate (percent)[1]									
Rates earned										
Interest-earning assets	8.67	8.16	8.15	8.20	7.72	7.55	7.54	7.35	7.77	6.91
Taxable equivalent	8.72	8.20	8.18	8.22	7.74	7.60	7.57	7.39	7.78	6.98
Loans and leases, gross	9.36	9.07	8.89	8.84	8.32	8.25	8.21	7.99	8.46	7.62
Net of loss provisions	7.51	7.95	8.38	8.62	8.11	7.93	7.62	7.50	7.79	6.53
Securities	7.38	6.69	7.09	7.41	6.80	6.70	6.79	6.52	6.52	6.25
Taxable equivalent	7.54	6.77	7.19	7.47	6.85	6.85	6.89	6.65	6.55	6.53
Investment account	7.96	6.90	6.57	7.06	6.71	6.61	6.71	6.50	6.45	6.08
U.S. Treasury securities and U.S. government agency obligations (excluding MBS)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.92
Mortgage-backed securities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.07
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.52
Trading account	6.69	6.45	7.79	7.83	6.90	6.81	6.92	6.56	6.70	6.66
Gross federal funds sold and reverse RPs	3.65	3.02	4.52	5.20	4.92	5.45	5.20	4.52	4.93	3.91
Interest-bearing balances at depositories	9.29	8.34	7.27	7.15	6.71	6.91	7.16	7.22	7.43	3.75
Rates paid										
Interest-bearing liabilities	6.17	5.60	5.43	5.88	5.44	5.41	5.29	4.79	5.37	4.14
Interest-bearing deposits	5.33	4.50	4.32	4.99	4.57	4.54	4.40	3.82	4.40	3.30
In foreign offices	7.55	6.87	6.04	6.07	5.62	5.52	5.83	4.99	5.67	4.02
In domestic offices	3.25	2.36	2.35	3.42	3.32	3.69	3.39	3.04	3.51	2.90
Other checkable deposits	1.97	1.28	1.10	1.29	1.32	1.97	1.67	1.44	1.61	1.68
Savings (including MMDAs)	2.95	2.14	2.35	3.11	2.76	2.68	2.45	2.11	2.43	1.95
Large time deposits[5]	4.66	3.55	3.12	3.73	4.62	5.17	4.53	4.36	5.32	4.45
Other time deposits[5]	3.81	3.01	2.80	5.08	4.58	5.45	5.21	4.95	5.53	5.25
Gross federal funds purchased and RPs	4.04	3.26	4.05	5.22	4.93	5.02	5.18	4.53	5.47	3.82
Other interest-bearing liabilities	10.40	11.16	10.87	9.80	8.86	9.13	8.85	8.61	8.15	7.15
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	7.69	7.22	6.37	6.42	6.26	6.31	6.21	6.01	6.39	5.63
Taxable equivalent	7.72	7.25	6.40	6.43	6.27	6.33	6.22	6.03	6.41	5.65
Loans	5.65	5.22	4.49	4.44	4.48	4.31	4.27	4.35	4.74	4.20
Securities	.85	.86	.77	.75	.71	.73	.81	.85	.88	.74
Gross federal funds sold and reverse RPs	.14	.11	.15	.21	.18	.45	.42	.30	.25	.26
Other	1.05	1.04	.97	1.00	.88	.82	.70	.51	.51	.43
Gross interest expense	4.54	4.06	3.52	3.74	3.52	3.55	3.48	3.16	3.61	2.72
Deposits	3.09	2.48	2.15	2.43	2.26	2.26	2.20	1.97	2.33	1.76
Gross federal funds purchased and RPs	.28	.24	.24	.35	.31	.54	.54	.40	.49	.35
Other	1.17	1.35	1.13	.95	.95	.75	.74	.79	.78	.61
Net interest income	3.15	3.16	2.86	2.68	2.73	2.76	2.73	2.84	2.78	2.92
Taxable equivalent	3.18	3.19	2.88	2.70	2.75	2.79	2.75	2.86	2.80	2.94
Loss provisioning[6]	1.12	.64	.26	.11	.11	.16	.31	.26	.38	.60
Noninterest income	2.59	2.99	2.33	2.16	2.34	2.12	2.15	2.55	2.54	2.26
Service charges on deposits	.30	.30	.26	.25	.28	.32	.33	.37	.40	.45
Fiduciary activities	.37	.39	.36	.30	.31	.34	.32	.31	.27	.29
Trading revenue	.66	.91	.53	.46	.52	.43	.33	.46	.48	.43
Interest rate exposures	n.a.	n.a.	n.a.	n.a.	.30	.23	.10	.17	.20	.21
Foreign exchange rate exposures	n.a.	n.a.	n.a.	n.a.	.17	.20	.20	.19	.18	.14
Other commodity and equity exposures	n.a.	n.a.	n.a.	n.a.	.05	*	.03	.09	.11	.08
Other	1.27	1.38	1.18	1.15	1.23	1.04	1.17	1.41	1.39	1.09
Noninterest expense	3.86	4.13	3.56	3.32	3.57	3.24	3.47	3.45	3.31	3.17
Salaries, wages, and employee benefits	1.78	1.88	1.65	1.58	1.57	1.45	1.45	1.57	1.46	1.38
Occupancy	.65	.66	.55	.50	.50	.47	.47	.50	.47	.45
Other	1.43	1.59	1.36	1.24	1.50	1.33	1.54	1.38	1.39	1.34
Net noninterest expense	1.27	1.14	1.23	1.16	1.23	1.12	1.32	.90	.77	.90
Gains on investment account securities	.11	.13	.02	.03	.04	.08	.11	.03	−.03	.08
Income before taxes and extraordinary items	.87	1.50	1.39	1.44	1.44	1.56	1.22	1.71	1.60	1.49
Taxes	.26	.53	.48	.55	.52	.58	.44	.66	.60	.49
Extraordinary items, net of income taxes	*	.16	*	*	*	*	*	*	*	−.01
Net income	.61	1.13	.91	.88	.92	.98	.78	1.05	1.00	.99
Cash dividends declared	.18	.28	.58	.57	.70	.82	.53	.79	.86	.67
Retained income	.43	.85	.33	.31	.21	.15	.25	.26	.13	.32
MEMO: Return on equity	10.91	16.75	13.86	13.78	13.21	13.22	10.53	13.58	13.04	12.61

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserves.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
4. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
5. Prior to 1997, large time open accounts included in other time deposits.
6. Includes provisions for allocated transfer risk.

A.1. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1992–2001

C. Banks ranked 11 through 100 by assets

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	88.43	88.81	88.58	88.71	88.26	87.50	87.91	88.47	88.78	88.23
Loans and leases, net	58.30	57.33	58.56	62.68	64.24	63.89	64.42	64.28	64.97	62.27
Commercial and industrial	18.83	18.03	18.03	19.26	18.95	19.01	18.92	19.40	18.20	15.81
U.S. addressees	17.78	17.05	16.99	18.10	17.71	17.78	17.59	18.18	17.66	15.33
Foreign addressees	1.05	.98	1.04	1.16	1.24	1.22	1.33	1.22	.55	.48
Consumer	11.72	11.47	12.62	14.23	15.67	15.62	14.53	13.57	13.80	13.21
Credit card	5.16	5.23	5.99	7.34	8.26	8.50	7.67	6.78	6.98	6.98
Installment and other	6.56	6.24	6.63	6.89	7.40	7.12	6.86	6.79	6.82	6.23
Real estate	21.89	22.11	22.26	23.25	23.26	22.99	24.60	24.81	26.23	27.32
In domestic offices	21.78	22.01	22.17	23.10	23.10	22.85	24.42	24.63	26.13	27.24
Construction and land development	3.02	2.08	1.63	1.50	1.55	1.69	2.03	2.43	3.00	3.31
Farmland	.14	.13	.14	.13	.13	.14	.17	.19	.22	.23
One- to four-family residential	11.36	12.30	12.98	14.16	14.15	13.88	14.86	14.15	14.52	15.50
Home equity	2.50	2.54	2.33	2.19	2.08	2.22	2.17	2.08	2.49	2.90
Other	8.85	9.76	10.65	11.97	12.07	11.65	12.69	12.07	12.03	12.61
Multifamily residential	0.66	.71	.71	.77	.89	.93	1.00	1.02	1.11	1.16
Nonfarm nonresidential	6.61	6.79	6.72	6.54	6.37	6.21	6.36	6.82	7.28	7.03
In foreign offices	.11	.10	.09	.15	.16	.15	.18	.19	.09	.09
To depository institutions and acceptances of other banks	1.47	1.34	1.52	1.61	1.53	1.30	1.09	.93	1.05	1.42
Foreign governments	.33	.30	.28	.20	.20	.09	.06	.06	.03	.03
Agricultural production	.31	.29	.29	.26	.28	.29	.33	.33	.37	.31
Other loans	4.24	4.01	3.45	3.29	3.27	3.18	3.35	2.99	2.57	2.04
Lease-financing receivables	1.49	1.47	1.60	1.96	2.41	2.70	2.75	3.32	3.87	3.28
Less: Unearned income on loans	−.17	−.11	−.07	−.07	−.06	−.05	−.04	−.04	−.03	−.02
Less: Loss reserves [1]	−1.79	−1.60	−1.41	−1.32	−1.27	−1.24	−1.16	−1.11	−1.12	−1.13
Securities	20.38	21.97	21.19	18.64	16.87	15.80	16.67	17.80	17.33	19.01
Investment account	19.24	20.60	19.82	17.88	16.06	15.07	16.13	17.29	16.11	17.71
Debt	19.24	20.60	18.57	16.60	14.70	13.61	14.52	15.53	14.19	16.72
U.S. Treasury	n.a.	n.a.	6.86	4.82	3.34	2.81	2.25	1.70	1.12	.67
U.S. government agency and corporation obligations	n.a.	n.a.	9.38	9.40	9.12	8.98	9.93	10.58	9.71	10.09
Government-backed mortgage pools	n.a.	n.a.	5.40	5.06	5.42	5.17	4.98	5.12	4.31	5.19
Collateralized mortgage obligations	n.a.	n.a.	3.04	2.82	2.16	2.13	2.83	2.89	2.55	2.42
Other	n.a.	n.a.	.94	1.51	1.54	1.68	2.12	2.56	2.84	2.48
State and local government	n.a.	n.a.	1.20	1.11	.99	.88	.92	.99	.96	.99
Private mortgage-backed securities	n.a.	n.a.	.95	1.02	.96	.73	.96	1.35	1.66	2.01
Other	n.a.	n.a.	1.22	1.16	1.21	1.18	1.53	2.02	2.06	3.56
Equity [2]	n.a.	n.a.	.32	.37	.44	.49	.55	.65	.60	.39
Trading account	1.14	1.37	1.38	.76	.80	.73	.54	.51	1.22	1.30
Gross federal funds sold and reverse RPs	4.78	4.98	5.11	4.52	4.26	4.38	3.57	3.34	3.77	4.07
Interest-bearing balances at depositories	4.98	4.53	3.72	2.87	2.89	3.43	3.24	3.06	2.71	2.88
Non-interest-earning assets	11.57	11.19	11.42	11.29	11.74	12.50	12.09	11.53	11.22	11.77
Revaluation gains held in trading accounts [3]	n.a.	n.a.	.60	.50	.51	.69	.75	.57	.41	.56
Other	11.57	11.19	10.81	10.78	11.23	11.81	11.34	10.96	10.80	11.22
Liabilities	93.13	92.56	92.47	92.23	92.02	91.85	91.63	91.65	91.57	91.14
Interest-bearing liabilities	74.66	73.38	72.86	74.05	73.14	72.60	73.40	74.95	76.44	75.97
Deposits	56.99	54.22	53.03	52.32	51.81	51.45	51.51	51.51	51.61	51.97
In foreign offices	6.20	6.78	8.05	8.12	7.52	7.85	8.15	7.97	7.35	6.87
In domestic offices	50.79	47.43	44.98	44.20	44.30	43.60	43.36	43.55	44.26	45.10
Other checkable deposits	6.26	7.21	6.91	5.62	3.06	1.95	1.75	1.60	1.32	1.20
Savings (including MMDAs)	20.21	20.60	20.13	18.78	20.76	21.08	21.41	22.47	22.35	24.38
Small-denomination time deposits	15.98	14.19	13.26	14.24	14.09	13.43	12.84	11.86	11.80	10.66
Large-denomination time deposits	8.34	5.44	4.68	5.55	6.39	7.15	7.36	7.62	8.78	8.87
Gross federal funds purchased and RPs	11.45	11.93	11.48	11.37	10.00	9.36	9.48	9.78	9.28	9.73
Other	6.22	7.23	8.34	10.36	11.32	11.79	12.41	13.67	15.56	14.27
Non-interest-bearing liabilities	18.47	19.18	19.62	18.18	18.89	19.24	18.23	16.70	15.12	15.17
Demand deposits in domestic offices	14.52	15.38	15.27	14.26	14.47	14.17	12.40	10.52	8.62	7.16
Revaluation losses held in trading accounts [3]	n.a.	n.a.	.57	.49	.49	.68	.76	.58	.41	.51
Other	3.95	3.80	3.89	3.43	3.93	4.39	5.07	5.59	6.09	7.50
Capital account	6.87	7.44	7.53	7.77	7.98	8.15	8.37	8.35	8.43	8.86
Memo										
Commercial real estate loans	11.09	10.29	9.69	9.42	9.38	9.44	10.11	11.00	12.07	12.08
Other real estate owned	0.70	.47	.25	.13	.08	.06	.04	.03	.03	.04
Managed liabilities	32.59	31.76	32.89	35.68	35.60	36.60	38.09	39.81	41.94	40.78
Average net consolidated assets (billions of dollars)	1,003	1,082	1,204	1,338	1,450	1,604	1,745	1,880	2,029	2,128

A.1.—Continued

C. Banks ranked 11 through 100 by assets

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Effective interest rate (percent)[1]									
Rates earned										
Interest-earning assets	7.97	7.35	7.29	8.31	8.16	8.31	8.10	7.84	8.47	7.60
Taxable equivalent	8.07	7.45	7.37	8.37	8.23	8.36	8.17	7.88	8.49	7.65
Loans and leases, gross	8.75	8.25	8.22	9.10	8.87	9.03	8.82	8.50	9.15	8.34
Net of loss provisions	7.45	7.46	7.68	8.49	8.05	8.11	8.01	7.68	8.13	6.91
Securities	7.00	6.05	5.70	6.38	6.42	6.50	6.21	6.34	6.71	5.92
Taxable equivalent	7.30	6.32	5.92	6.56	6.66	6.70	6.46	6.46	6.77	6.11
Investment account	7.12	6.14	5.70	6.34	6.41	6.52	6.22	6.36	6.74	6.00
U.S. Treasury securities and U.S. government agency obligations (excluding MBS)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.92
Mortgage-backed securities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.37
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.29
Trading account	4.73	4.74	5.75	7.27	6.53	6.05	5.86	5.58	6.25	4.85
Gross federal funds sold and reverse RPs	3.70	3.11	4.31	5.91	5.31	5.45	5.46	5.12	6.06	3.89
Interest-bearing balances at depositories	6.76	6.50	4.69	6.78	5.82	5.76	5.67	4.81	5.49	4.38
Rates paid										
Interest-bearing liabilities	4.43	3.76	3.72	4.94	4.70	4.79	4.76	4.38	5.22	4.18
Interest-bearing deposits	4.30	3.51	3.25	4.35	4.15	4.22	4.15	3.76	4.42	3.63
In foreign offices	7.26	7.37	4.60	6.30	5.29	5.23	5.22	4.70	5.38	3.67
In domestic offices	3.96	2.98	3.03	4.01	3.96	4.04	3.96	3.60	4.26	3.63
Other checkable deposits	2.43	1.70	1.62	1.89	1.78	2.01	2.41	2.03	2.57	2.34
Savings (including MMDAs)	3.07	2.33	2.46	3.10	2.91	2.84	2.76	2.49	2.94	2.31
Large time deposits[5]	5.10	4.30	4.21	5.70	5.50	5.47	5.32	4.96	5.88	5.16
Other time deposits[5]	5.07	4.06	4.18	5.35	5.26	5.43	5.35	5.03	5.73	5.48
Gross federal funds purchased and RPs	3.57	3.04	4.28	5.86	5.19	5.29	5.22	4.87	6.02	3.87
Other interest-bearing liabilities	5.77	5.97	5.24	6.43	5.95	5.85	5.81	5.41	6.36	5.32
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	7.12	6.58	6.46	7.40	7.24	7.26	7.16	6.99	7.56	6.77
Taxable equivalent	7.19	6.64	6.51	7.45	7.28	7.30	7.20	7.02	7.59	6.80
Loans	5.23	4.84	4.91	5.79	5.80	5.87	5.79	5.57	6.07	5.34
Securities	1.37	1.26	1.13	1.13	1.03	.98	1.00	1.10	1.09	1.06
Gross federal funds sold and reverse RPs	.18	.15	.21	.27	.23	.22	.19	.18	.22	.16
Other	.34	.32	.21	.21	.18	.19	.18	.14	.18	.15
Gross interest expense	3.26	2.74	2.67	3.62	3.39	3.41	3.45	3.26	3.96	3.16
Deposits	2.48	1.93	1.73	2.29	2.18	2.23	2.23	2.02	2.41	2.02
Gross federal funds purchased and RPs	.43	.38	.51	.67	.55	.51	.51	.51	.56	.38
Other	.35	.43	.43	.66	.66	.68	.71	.73	.98	.76
Net interest income	3.86	3.84	3.79	3.78	3.84	3.85	3.71	3.72	3.60	3.61
Taxable equivalent	3.93	3.91	3.85	3.84	3.89	3.89	3.75	3.76	3.63	3.64
Loss provisioning[6]	.78	.47	.32	.39	.54	.60	.53	.54	.68	.92
Noninterest income	2.25	2.29	2.25	2.38	2.61	2.76	3.07	3.35	3.14	3.31
Service charges on deposits	.44	.46	.45	.44	.44	.44	.42	.42	.42	.42
Fiduciary activities	.38	.38	.39	.40	.43	.44	.49	.48	.52	.42
Trading income	.09	.14	.08	.09	.08	.08	.09	.08	.08	.08
Interest rate exposures	n.a.	n.a.	n.a.	n.a.	.03	.02	.03	.02	.02	.04
Foreign exchange rate exposures	n.a.	n.a.	n.a.	n.a.	.04	.05	.06	.06	.05	.03
Other commodity and equity exposures	n.a.	n.a.	n.a.	n.a.	.01	*	*	*	*	*
Other	1.33	1.32	1.33	1.45	1.67	1.79	2.07	2.37	2.13	2.39
Noninterest expense	3.98	3.95	3.86	3.79	3.85	3.85	4.03	4.11	3.96	3.93
Salaries, wages, and employee benefits	1.53	1.52	1.50	1.47	1.51	1.51	1.53	1.53	1.44	1.48
Occupancy	.49	.47	.47	.47	.48	.46	.46	.45	.43	.42
Other	1.95	1.95	1.89	1.85	1.86	1.88	2.04	2.13	2.10	2.04
Net noninterest expense	1.73	1.65	1.61	1.41	1.24	1.10	.96	.76	.83	.62
Gains on investment account securities	.15	.09	−.01	.02	.02	.02	.03	−.01	−.05	.09
Income before taxes and extraordinary items	1.50	1.81	1.85	2.01	2.09	2.18	2.24	2.41	2.04	2.16
Taxes	.48	.56	.63	.70	.75	.77	.79	.87	.70	.75
Extraordinary items, net of income taxes	.03	*	*	*	*	*	*	*	*	*
Net income	1.04	1.25	1.22	1.31	1.34	1.42	1.46	1.54	1.33	1.41
Cash dividends declared	.46	.76	.86	.85	1.07	.93	.96	1.16	.94	.96
Retained income	.58	.49	.36	.46	.26	.48	.50	.38	.39	.45
MEMO: Return on equity	15.16	16.86	16.27	16.84	16.78	17.36	17.38	18.48	15.82	15.89

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserves.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
4. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
5. Prior to 1997, large time open accounts included in other time deposits.
6. Includes provisions for allocated transfer risk.

A.1. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1992–2001

D. Banks ranked 101 through 1,000 by assets

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	90.02	90.45	90.90	90.97	91.10	91.32	91.36	91.68	91.49	91.15
Loans and leases, net	58.49	57.93	59.75	62.19	62.63	62.22	61.13	61.48	62.14	62.48
Commercial and industrial	13.34	12.19	12.07	12.70	12.80	12.43	12.48	12.64	12.95	13.03
U.S. addressees	13.16	12.03	11.91	12.54	12.61	12.19	12.16	12.32	12.60	12.65
Foreign addressees	0.18	.16	.16	.16	.18	.23	.32	.32	.36	.38
Consumer	14.18	14.82	15.84	16.27	15.88	14.03	12.28	10.79	10.19	9.76
Credit card	5.38	5.63	6.05	6.32	6.66	5.52	4.48	3.37	3.27	3.62
Installment and other	8.80	9.19	9.79	9.95	9.22	8.52	7.80	7.41	6.92	6.14
Real estate	28.11	28.61	29.42	30.81	31.36	33.23	33.94	35.90	36.93	37.65
In domestic offices	28.07	28.58	29.39	30.79	31.34	33.21	33.92	35.88	36.91	37.63
Construction and land development	2.86	2.26	2.08	2.21	2.38	2.69	2.88	3.49	4.15	4.91
Farmland	.32	.34	.36	.40	.46	.53	.56	.58	.65	.67
One- to four-family residential	14.25	15.16	16.25	17.49	17.34	18.14	18.19	18.26	17.16	16.19
Home equity	2.56	2.51	2.33	2.36	2.30	2.30	2.15	1.99	2.10	2.20
Other	11.69	12.66	13.92	15.13	15.03	15.84	16.05	16.27	15.06	13.98
Multifamily residential	.95	1.07	1.13	1.21	1.29	1.29	1.26	1.44	1.58	1.69
Nonfarm nonresidential	9.68	9.75	9.57	9.48	9.87	10.56	11.03	12.12	13.36	14.18
In foreign offices	.04	.02	.03	.02	.02	.02	.02	.02	.02	.02
To depository institutions and acceptances of other banks	.83	.47	.42	.36	.50	.59	.53	.46	.37	.38
Foreign governments	.05	.03	.02	.02	.02	.02	.03	.03	.03	.03
Agricultural production	.54	.56	.62	.69	.71	.74	.80	.78	.82	.85
Other loans	2.45	2.13	1.98	1.78	1.68	1.47	1.30	1.25	1.22	1.22
Lease-financing receivables	.78	.77	.83	.90	1.01	.99	.99	.78	.75	.74
Less: Unearned income on loans	−.30	−.21	−.15	−.12	−.10	−.10	−.09	−.08	−.08	−.07
Less: Loss reserves[1]	−1.49	−1.44	−1.30	−1.22	−1.22	−1.18	−1.13	−1.06	−1.04	−1.12
Securities	24.13	25.92	25.72	23.08	22.67	23.45	24.26	25.17	24.34	22.79
Investment account	23.78	25.63	25.40	22.88	22.55	23.35	24.15	25.09	24.25	22.68
Debt	23.78	25.63	23.94	21.32	20.71	20.92	21.15	21.70	20.30	20.56
U.S. Treasury	n.a.	n.a.	8.17	6.48	5.61	4.96	3.92	2.53	1.81	1.32
U.S. government agency and corporation obligations	n.a.	n.a.	12.76	12.23	12.66	13.97	15.13	16.29	15.56	14.69
Government-backed mortgage pools	n.a.	n.a.	5.64	5.42	5.69	6.22	6.46	6.72	6.22	6.27
Collateralized mortgage obligations	n.a.	n.a.	4.34	3.56	3.12	3.01	3.22	3.52	3.04	3.08
Other	n.a.	n.a.	2.79	3.25	3.85	4.73	5.44	6.05	6.30	5.35
State and local government	n.a.	n.a.	2.29	2.13	2.24	2.44	2.70	2.91	2.91	2.90
Private mortgage-backed securities	n.a.	n.a.	.73	.68	.76	.59	.65	1.00	.99	.93
Other	n.a.	n.a.	.99	.89	.77	.78	1.06	1.60	2.19	2.41
Equity[2]	n.a.	n.a.	.43	.47	.52	.61	.69	.77	.79	.43
Trading account	.35	.28	.31	.20	.12	.10	.11	.08	.09	.11
Gross federal funds sold and reverse RPs	4.92	4.49	3.64	3.92	3.87	3.60	4.17	3.35	3.40	4.19
Interest-bearing balances at depositories	2.47	2.11	1.79	1.78	1.93	2.05	1.80	1.68	1.60	1.68
Non-interest-earning assets	9.98	9.55	9.10	9.03	8.90	8.68	8.64	8.32	8.51	8.85
Revaluation gains held in trading accounts[3]	n.a.	n.a.	.02	.05	.02	*	*	.01	.02	.01
Other	9.98	9.55	9.08	8.99	8.88	8.68	8.64	8.31	8.49	8.85
Liabilities	92.47	91.85	91.62	91.36	91.06	90.78	90.55	90.90	90.95	90.31
Interest-bearing liabilities	75.98	74.42	74.77	75.00	75.06	75.19	75.42	76.76	77.43	77.00
Deposits	65.65	63.05	60.38	59.67	59.99	61.47	62.39	61.94	62.68	63.10
In foreign offices	1.56	1.43	1.69	1.71	1.33	1.23	1.31	1.20	1.28	1.24
In domestic offices	64.09	61.62	58.69	57.96	58.66	60.25	61.09	60.74	61.40	61.86
Other checkable deposits	9.14	9.94	9.70	8.54	6.20	4.96	4.23	3.75	3.32	3.27
Savings (including MMDAs)	23.34	24.06	22.92	20.75	22.50	23.59	25.65	27.35	27.03	27.65
Small-denomination time deposits	23.56	20.78	19.29	21.11	21.61	22.03	21.22	19.61	19.44	18.80
Large-denomination time deposits	8.06	6.84	6.78	7.56	8.34	9.66	9.99	10.03	11.61	12.14
Gross federal funds purchased and RPs	7.18	7.43	8.45	8.31	8.19	7.09	6.16	6.90	6.30	5.76
Other	3.15	3.94	5.94	7.02	6.88	6.62	6.86	7.92	8.45	8.14
Non-interest-bearing liabilities	16.49	17.43	16.85	16.36	16.00	15.60	15.13	14.15	13.52	13.31
Demand deposits in domestic offices	14.39	15.07	14.58	14.07	13.84	13.15	11.90	10.19	8.97	8.23
Revaluation losses held in trading accounts[3]	n.a.	n.a.	.02	.05	.02	.01	.01	.01	*	.01
Other	2.10	2.36	2.26	2.24	2.14	2.44	3.22	3.95	4.54	5.07
Capital account	7.53	8.15	8.38	8.64	8.94	9.22	9.45	9.10	9.05	9.69
Memo										
Commercial real estate loans	13.91	13.37	13.05	13.19	13.83	14.77	15.38	17.28	19.32	21.03
Other real estate owned	.80	.57	.28	.17	.13	.11	.09	.08	.07	.08
Managed liabilities	20.00	19.68	22.89	24.62	24.78	24.66	24.46	26.32	28.01	27.75
Average net consolidated assets (billions of dollars)	967	978	1,031	1,092	1,076	968	935	972	986	1,001

A.1.—Continued

D. Banks ranked 101 through 1,000 by assets

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Effective interest rate (percent)[1]									
Rates earned										
Interest-earning assets	8.15	7.43	7.58	8.44	8.41	8.49	8.32	7.83	8.51	7.84
Taxable equivalent	8.26	7.55	7.68	8.53	8.50	8.59	8.44	7.92	8.58	7.96
Loans and leases, gross	9.12	8.57	8.64	9.45	9.39	9.48	9.37	8.74	9.44	8.78
Net of loss provisions	7.83	7.77	8.11	8.77	8.60	8.60	8.61	8.12	8.60	7.80
Securities	6.89	5.78	5.69	6.23	6.32	6.42	6.22	6.02	6.50	5.87
Taxable equivalent	7.19	6.10	5.93	6.50	6.60	6.69	6.57	6.29	6.71	6.26
Investment account	6.90	5.79	5.69	6.24	6.32	6.42	6.21	6.01	6.50	5.87
U.S. Treasury securities and U.S. government agency obligations (excluding MBS)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.73
Mortgage-backed securities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.16
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.43
Trading account	5.62	4.74	5.29	5.55	5.94	6.37	6.84	7.33	9.30	6.51
Gross federal funds sold and reverse RPs	3.48	3.02	4.05	5.45	5.29	5.42	5.31	4.98	6.16	3.93
Interest-bearing balances at depositories	4.62	3.52	4.28	6.07	5.69	5.44	5.76	5.07	5.72	3.96
Rates paid										
Interest-bearing liabilities	4.20	3.33	3.57	4.65	4.58	4.66	4.60	4.19	4.93	4.12
Interest-bearing deposits	4.17	3.26	3.31	4.26	4.27	4.34	4.28	3.84	4.46	3.82
In foreign offices	4.25	3.35	4.31	5.94	5.72	5.42	5.55	5.07	6.13	4.45
In domestic offices	4.17	3.26	3.28	4.21	4.24	4.32	4.25	3.82	4.43	3.81
Other checkable deposits	2.67	2.02	1.86	2.02	1.97	2.16	2.15	1.99	2.27	1.78
Savings (including MMDAs)	3.34	2.58	2.64	3.24	3.11	3.08	2.97	2.65	3.07	2.22
Large time deposits[5]	4.78	3.90	4.23	5.62	5.48	5.56	5.51	5.17	6.01	5.26
Other time deposits[5]	5.35	4.40	4.40	5.53	5.57	5.57	5.64	5.11	5.74	5.53
Gross federal funds purchased and RPs	3.46	2.95	4.12	5.61	5.16	5.21	5.14	4.83	5.95	3.85
Other interest-bearing liabilities	5.28	4.44	4.93	6.32	5.89	6.09	6.00	5.36	6.45	5.42
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	7.36	6.74	6.90	7.69	7.68	7.75	7.63	7.19	7.80	7.16
Taxable equivalent	7.46	6.84	6.99	7.78	7.76	7.83	7.71	7.27	7.88	7.24
Loans	5.46	5.06	5.26	5.99	5.99	6.00	5.85	5.47	5.97	5.59
Securities	1.64	1.48	1.45	1.43	1.42	1.50	1.50	1.51	1.58	1.33
Gross federal funds sold and reverse RPs	.17	.14	.14	.21	.20	.19	.22	.17	.21	.16
Other	.08	.06	.06	.07	.06	.06	.06	.04	.04	.04
Gross interest expense	3.17	2.46	2.65	3.46	3.41	3.47	3.44	3.20	3.79	3.14
Deposits	2.75	2.07	2.01	2.56	2.58	2.70	2.71	2.44	2.87	2.48
Gross federal funds purchased and RPs	.25	.22	.35	.46	.43	.37	.32	.34	.38	.22
Other	.17	.17	.29	.44	.40	.40	.41	.42	.54	.44
Net interest income	4.20	4.28	4.25	4.24	4.28	4.28	4.19	3.99	4.01	4.02
Taxable equivalent	4.30	4.37	4.34	4.32	4.35	4.36	4.27	4.07	4.08	4.10
Loss provisioning[6]	.77	.47	.32	.43	.50	.56	.48	.39	.53	.62
Noninterest income	1.69	1.84	1.86	1.84	1.88	2.08	2.25	2.32	2.36	2.37
Service charges on deposits	.44	.45	.42	.42	.41	.40	.39	.38	.36	.39
Fiduciary activities	.28	.29	.28	.27	.29	.32	.37	.38	.44	.40
Trading income	.02	.03	.02	.03	.02	.01	.02	.02	.01	*
Interest rate exposures	n.a.	n.a.	n.a.	n.a.	.01	.01	.01	.01	.01	−.01
Foreign exchange rate exposures	n.a.	n.a.	n.a.	n.a.	.01	*	*	*	*	*
Other commodity and equity exposures	n.a.	n.a.	n.a.	n.a.	*	*	*	*	*	*
Other	.95	1.08	1.14	1.12	1.16	1.34	1.48	1.54	1.56	1.59
Noninterest expense	3.88	3.92	3.78	3.68	3.69	3.73	3.86	3.70	3.84	3.88
Salaries, wages, and employee benefits	1.51	1.51	1.49	1.44	1.44	1.50	1.57	1.56	1.59	1.61
Occupancy	.49	.48	.46	.45	.45	.46	.47	.47	.47	.46
Other	1.88	1.92	1.83	1.79	1.80	1.76	1.83	1.68	1.79	1.81
Net noninterest expense	2.18	2.08	1.92	1.84	1.81	1.65	1.61	1.38	1.48	1.51
Gains on investment account securities	.10	.06	−.05	−.01	.02	.02	.04	−.01	−.04	.05
Income before taxes and extraordinary items	1.34	1.78	1.96	1.96	1.98	2.10	2.14	2.20	1.96	1.94
Taxes	.44	.61	.67	.67	.69	.73	.73	.75	.68	.67
Extraordinary items, net of income taxes	*	.04	*	*	*	*	.06	.01	*	.01
Net income	.90	1.21	1.29	1.28	1.29	1.37	1.47	1.47	1.28	1.28
Cash dividends declared	.48	.79	.81	.87	1.04	1.09	1.01	1.06	.91	1.32
Retained income	.42	.43	.48	.41	.25	.28	.45	.41	.37	−.04
MEMO: Return on equity	12.01	14.91	15.40	14.82	14.47	14.90	15.52	16.16	14.19	13.17

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserves.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
4. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
5. Prior to 1997, large time open accounts included in other time deposits.
6. Includes provisions for allocated transfer risk.

A.1. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1992–2001

E. Banks not ranked among the 1,000 largest by assets

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	92.20	92.43	92.48	92.48	92.45	92.44	92.64	92.55	92.52	92.23
Loans and leases, net	53.03	52.95	54.64	56.61	57.38	58.75	59.11	59.75	62.31	62.56
Commercial and industrial	9.74	9.24	9.31	9.65	9.97	10.16	10.33	10.64	11.09	11.10
U.S. addressees	9.69	9.20	9.26	9.59	9.90	10.08	10.25	10.55	11.02	11.02
Foreign addressees	.04	.04	.05	.06	.07	.08	.08	.08	.07	.08
Consumer	9.68	9.18	9.38	9.54	9.42	8.98	8.46	8.15	7.97	7.42
Credit card	1.00	.92	.96	1.01	1.03	.85	.70	.68	.58	.56
Installment and other	8.68	8.26	8.42	8.53	8.38	8.14	7.76	7.47	7.39	6.86
Real estate	30.16	31.10	32.19	33.55	34.11	35.55	36.04	36.84	39.30	40.20
In domestic offices	30.15	31.09	32.19	33.55	34.10	35.54	36.04	36.84	39.30	40.20
Construction and land development	1.97	1.93	2.14	2.39	2.61	2.82	3.02	3.28	3.70	4.22
Farmland	2.06	2.20	2.34	2.48	2.55	2.69	2.83	2.95	3.06	3.03
One- to four-family residential	16.44	16.82	16.94	17.45	17.48	18.16	18.04	17.66	18.43	18.21
Home equity	1.34	1.27	1.21	1.20	1.20	1.24	1.21	1.17	1.28	1.37
Other	15.10	15.56	15.73	16.26	16.28	16.92	16.84	16.49	17.15	16.83
Multifamily residential	.77	.84	.93	.95	.92	.95	.93	.98	1.04	1.06
Nonfarm nonresidential	8.91	9.30	9.83	10.28	10.54	10.92	11.21	11.97	13.06	13.68
In foreign offices	*	*	*	*	*	*	*	*	*	*
To depository institutions and acceptances of other banks	.20	.16	.17	.19	.21	.20	.14	.14	.12	.12
Foreign governments	.01	.02	.01	*	*	*	*	.01	.01	*
Agricultural production	3.55	3.58	3.89	3.95	3.93	4.05	4.28	4.06	3.85	3.74
Other loans	.92	.82	.77	.72	.69	.67	.67	.67	.69	.67
Lease-financing receivables	.17	.18	.20	.22	.23	.25	.24	.26	.27	.27
LESS: Unearned income on loans	−.43	−.36	−.31	−.30	−.27	−.24	−.20	−.15	−.11	−.08
LESS: Loss reserves[1]	−.96	−.97	−.95	−.93	−.90	−.87	−.86	−.87	−.88	−.88
Securities	32.10	33.08	32.90	30.51	29.53	28.25	26.70	26.92	25.40	22.91
Investment account	32.04	33.01	32.86	30.48	29.50	28.21	26.66	26.88	25.38	22.90
Debt	32.04	33.01	30.64	27.92	26.51	24.58	22.30	21.82	19.43	19.76
U.S. Treasury	n.a.	n.a.	10.75	9.19	7.85	6.70	5.05	3.34	2.12	1.33
U.S. government agency and corporation obligations	n.a.	n.a.	15.24	15.13	15.67	15.58	15.43	16.89	16.95	15.33
Government-backed mortgage pools	n.a.	n.a.	4.73	4.19	4.21	4.01	3.90	3.95	3.47	3.83
Collateralized mortgage obligations	n.a.	n.a.	3.05	2.76	2.46	2.19	2.02	2.00	1.70	1.98
Other	n.a.	n.a.	7.46	8.18	9.00	9.38	9.51	10.94	11.78	9.53
State and local government	n.a.	n.a.	5.00	4.69	4.62	4.60	4.80	4.96	4.64	4.50
Private mortgage-backed securities	n.a.	n.a.	.26	.20	.18	.19	.16	.26	.23	.31
Other	n.a.	n.a.	.96	.81	.68	.61	.68	.89	.88	1.12
Equity[2]	n.a.	n.a.	.43	.45	.49	.52	.54	.53	.56	.30
Trading account	.05	.07	.04	.03	.03	.03	.04	.03	.02	.01
Gross federal funds sold and reverse RPs	5.10	4.67	3.42	3.91	4.04	3.95	5.13	4.17	3.22	4.99
Interest-bearing balances at depositories	1.97	1.74	1.52	1.45	1.51	1.49	1.72	1.71	1.59	1.78
Non-interest-earning assets	7.80	7.57	7.52	7.52	7.55	7.56	7.36	7.45	7.48	7.77
Revaluation gains held in trading accounts[3]	n.a.	n.a.	*	*	*	*	*	*	*	*
Other	7.80	7.57	7.52	7.52	7.55	7.56	7.36	7.45	7.48	7.77
Liabilities	91.07	90.63	90.43	90.04	89.81	89.63	89.54	89.75	89.89	89.57
Interest-bearing liabilities	77.83	76.88	76.19	75.74	75.59	75.47	75.35	75.90	76.05	75.97
Deposits	75.75	74.54	73.14	72.70	72.47	72.05	71.77	71.41	70.54	70.90
In foreign offices	0.07	.08	.09	.11	.10	.09	.07	.07	.05	.06
In domestic offices	75.68	74.45	73.05	72.59	72.37	71.96	71.70	71.34	70.48	70.85
Other checkable deposits	12.33	13.16	13.31	12.37	11.75	11.39	11.18	11.07	10.57	10.16
Savings (including MMDAs)	22.10	23.55	23.23	20.41	19.57	18.98	19.01	19.69	19.03	19.23
Small-denomination time deposits	32.85	30.09	28.83	30.92	31.29	31.09	30.42	29.07	28.42	28.02
Large-denomination time deposits	8.40	7.66	7.68	8.89	9.77	10.50	11.10	11.50	12.47	13.44
Gross federal funds purchased and RPs	1.36	1.44	1.89	1.78	1.70	1.67	1.49	1.79	2.06	1.56
Other	.72	.90	1.16	1.25	1.41	1.74	2.09	2.70	3.45	3.51
Non-interest-bearing liabilities	13.24	13.74	14.24	14.30	14.23	14.16	14.19	13.86	13.84	13.60
Demand deposits in domestic offices	12.23	12.82	13.34	13.23	13.12	13.09	13.09	12.81	12.65	12.14
Revaluation losses held in trading accounts[3]	n.a.	n.a.	*	*	*	*	*	*	*	*
Other	1.01	.93	.90	1.07	1.10	1.06	1.10	1.05	1.19	1.46
Capital account	8.93	9.37	9.57	9.97	10.19	10.37	10.46	10.25	10.11	10.43
MEMO										
Commercial real estate loans	11.85	12.21	13.02	13.72	14.18	14.80	15.26	16.33	17.92	19.10
Other real estate owned	.65	.52	.35	.25	.20	.16	.13	.11	.11	.12
Managed liabilities	10.56	10.09	10.83	12.05	12.99	14.02	14.76	16.08	18.07	18.63
Average net consolidated assets (billions of dollars)	697	687	679	666	661	647	644	651	655	677

A.1.—Continued

E. Banks not ranked among the 1,000 largest by assets

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Effective interest rate (percent) [1]									
Rates earned										
Interest-earning assets	8.42	7.62	7.57	8.38	8.33	8.49	8.33	8.05	8.49	7.99
Taxable equivalent	8.58	7.78	7.72	8.53	8.48	8.63	8.49	8.18	8.59	8.12
Loans and leases, gross	9.81	9.13	9.00	9.80	9.72	9.80	9.69	9.28	9.56	9.11
Net of loss provisions	9.05	8.62	8.65	9.39	9.29	9.35	9.21	8.77	9.00	8.55
Securities	6.99	5.93	5.61	6.09	6.09	6.25	5.98	5.89	6.21	5.87
Taxable equivalent	7.40	6.33	5.99	6.49	6.51	6.65	6.46	6.29	6.55	6.34
Investment account	6.99	5.93	5.61	6.09	6.09	6.25	5.98	5.89	6.21	5.87
U.S. Treasury securities and U.S. government agency obligations (excluding MBS)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.95
Mortgage-backed securities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.23
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.35
Trading account	7.12	4.83	6.03	6.12	6.48	6.33	5.26	3.60	4.01	6.43
Gross federal funds sold and reverse RPs	3.50	2.95	4.08	5.95	5.32	5.51	5.35	4.96	6.26	3.85
Interest-bearing balances at depositories	5.59	4.53	4.64	5.88	5.63	5.64	5.67	5.69	6.40	4.58
Rates paid										
Interest-bearing liabilities	4.43	3.54	3.49	4.46	4.48	4.60	4.60	4.28	4.80	4.42
Interest-bearing deposits	4.43	3.53	3.44	4.39	4.43	4.53	4.53	4.22	4.68	4.33
In foreign offices	3.97	2.91	3.92	5.73	5.34	4.77	5.08	4.34	5.13	3.82
In domestic offices	4.43	3.53	3.44	4.39	4.43	4.53	4.53	4.22	4.67	4.33
Other checkable deposits	3.13	2.42	2.29	2.50	2.41	2.46	2.45	2.28	2.47	1.98
Savings (including MMDAs)	3.61	2.91	2.83	3.32	3.24	3.36	3.39	3.21	3.56	2.82
Large time deposits [5]	4.88	3.96	4.12	5.55	5.48	5.53	5.53	5.21	5.92	5.57
Other time deposits [5]	5.35	4.39	4.28	5.51	5.59	5.66	5.63	5.25	5.70	5.61
Gross federal funds purchased and RPs	3.72	3.17	4.12	5.61	5.08	5.23	4.99	4.73	5.70	4.11
Other interest-bearing liabilities	5.00	4.68	4.98	6.46	5.78	6.31	6.45	5.63	6.22	5.86
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	7.78	7.06	7.01	7.78	7.74	7.90	7.75	7.48	7.86	7.43
Taxable equivalent	7.93	7.20	7.15	7.91	7.86	8.02	7.87	7.61	7.98	7.54
Loans	5.29	4.92	4.99	5.63	5.66	5.86	5.80	5.62	6.02	5.80
Securities	2.24	1.96	1.84	1.86	1.80	1.76	1.59	1.58	1.58	1.34
Gross federal funds sold and reverse RPs	.18	.14	.15	.25	.24	.24	.29	.22	.21	.20
Other	.07	.05	.04	.04	.04	.04	.06	.06	.05	.05
Gross interest expense	3.45	2.72	2.65	3.37	3.38	3.48	3.46	3.26	3.64	3.36
Deposits	3.36	2.64	2.52	3.19	3.21	3.28	3.25	3.03	3.31	3.09
Gross federal funds purchased and RPs	.05	.04	.07	.10	.08	.08	.07	.08	.12	.06
Other	.04	.04	.06	.08	.08	.11	.13	.15	.21	.21
Net interest income	4.34	4.34	4.36	4.41	4.36	4.42	4.29	4.22	4.22	4.07
Taxable equivalent	4.48	4.48	4.50	4.54	4.49	4.54	4.41	4.35	4.33	4.17
Loss provisioning [6]	.41	.27	.19	.24	.25	.27	.29	.31	.35	.36
Noninterest income	1.16	1.25	1.30	1.38	1.42	1.44	1.52	1.44	1.32	1.36
Service charges on deposits	.45	.45	.44	.44	.44	.44	.42	.42	.43	.44
Fiduciary activities	.16	.16	.17	.22	.19	.20	.23	.26	.21	.26
Trading income	.01	.01	*	.01	*	*	*	*	.01	*
Interest rate exposures	n.a.	n.a.	n.a.	n.a.	*	*	*	*	*	*
Foreign exchange rate exposures	n.a.	n.a.	n.a.	n.a.	*	*	*	*	*	*
Other commodity and equity exposures	n.a.	n.a.	n.a.	n.a.	*	*	*	*	*	*
Other	.55	.64	.69	.71	.78	.79	.86	.75	.68	.65
Noninterest expense	3.66	3.74	3.78	3.80	3.69	3.71	3.74	3.73	3.59	3.58
Salaries, wages, and employee benefits	1.69	1.73	1.75	1.79	1.77	1.80	1.82	1.82	1.78	1.80
Occupancy	.49	.49	.49	.50	.49	.49	.49	.49	.47	.48
Other	1.49	1.53	1.55	1.51	1.44	1.41	1.43	1.42	1.33	1.31
Net noninterest expense	2.51	2.49	2.48	2.42	2.28	2.27	2.23	2.29	2.27	2.23
Gains on investment account securities	.09	.07	−.03	*	.01	.01	.02	*	−.01	.04
Income before taxes and extraordinary items	1.51	1.65	1.66	1.75	1.84	1.89	1.79	1.62	1.59	1.52
Taxes	.47	.51	.51	.55	.59	.59	.53	.47	.45	.41
Extraordinary items, net of income taxes	.02	.05	*	*	*	*	*	*	*	*
Net income	1.05	1.19	1.15	1.20	1.25	1.30	1.26	1.15	1.15	1.11
Cash dividends declared	.51	.56	.57	.62	.64	.74	.82	.68	.79	.67
Retained income	.54	.63	.58	.58	.62	.57	.44	.48	.36	.44
MEMO: Return on equity	11.78	12.67	12.03	12.06	12.31	12.56	12.02	11.26	11.38	10.61

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserves.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
4. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
5. Prior to 1997, large time open accounts included in other time deposits.
6. Includes provisions for allocated transfer risk.

A.2. Report of income, all U.S. banks, 1992–2001

Millions of dollars

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Gross interest income	256,415	244,742	257,065	302,376	313,120	338,224	359,179	366,177	424,461	408,363
Taxable equivalent	259,394	247,620	259,822	305,010	315,579	340,657	361,643	368,804	427,099	411,070
Loans	185,938	178,425	189,764	227,218	239,310	255,498	270,945	278,577	327,399	314,811
Securities	51,825	48,678	48,299	51,030	50,603	52,661	56,597	62,116	67,684	63,699
Gross federal funds sold and reverse repurchase agreements	5,913	4,796	6,415	9,744	9,265	13,658	14,999	12,327	13,549	12,765
Other	12,739	12,843	12,587	14,382	13,944	16,407	16,637	13,155	15,831	17,089
Gross interest expense	122,517	105,615	110,850	147,958	150,047	164,514	178,000	174,903	222,120	190,086
Deposits	98,809	79,503	79,106	105,329	107,467	117,350	125,217	119,666	151,185	133,261
Gross federal funds purchased and repurchase agreements	9,263	8,442	12,476	18,424	16,775	20,440	22,182	21,130	26,867	19,660
Other	14,441	17,669	19,269	24,204	25,806	26,724	30,600	34,106	44,069	37,165
Net interest income	133,898	139,127	146,215	154,418	163,073	173,710	181,179	191,274	202,341	218,277
Taxable equivalent	136,877	142,005	148,972	157,052	165,532	176,143	183,643	193,901	204,979	220,984
Loss provisioning[1]	26,813	16,841	10,991	12,631	16,206	19,176	21,222	21,121	29,753	43,263
Noninterest income	67,044	75,847	77,224	83,851	95,278	105,765	123,487	144,198	152,415	160,600
Service charges on deposits	14,126	14,898	15,281	16,057	17,043	18,558	19,769	21,497	23,720	27,129
Fiduciary activities	10,452	11,199	12,124	12,890	14,288	16,604	19,269	20,502	22,220	22,025
Trading revenue	6,273	9,238	6,249	6,337	7,523	8,019	7,705	10,478	12,446	12,566
Other	36,193	40,513	43,572	48,567	56,424	62,587	76,743	91,720	94,028	98,882
Noninterest expense	132,815	140,523	144,905	151,137	162,401	170,988	193,702	204,400	215,756	226,944
Salaries, wages, and employee benefits	55,484	58,507	60,904	64,013	67,776	72,342	79,506	86,151	89,044	94,671
Occupancy	18,152	18,578	18,978	19,760	20,883	22,082	24,161	25,864	26,766	28,091
Other	59,181	63,439	65,023	67,363	73,742	76,563	90,036	92,385	99,946	104,181
Net noninterest expense	65,771	64,676	67,681	67,286	67,123	65,223	70,215	60,202	63,341	66,344
Gains on investment account securities	3,957	3,054	−568	481	1,123	1,825	3,090	250	−2,298	4,647
Income before taxes	45,273	60,662	66,974	74,980	80,866	91,137	92,833	110,201	106,947	113,317
Taxes	14,450	19,861	22,429	26,222	28,431	31,986	31,892	39,263	37,383	37,739
Extraordinary items, net of income taxes	401	2,085	−17	28	88	56	506	169	−32	−322
Net income	**31,224**	**42,886**	**44,528**	**48,785**	**52,522**	**59,206**	**61,447**	**71,108**	**69,532**	**75,258**
Cash dividends declared	14,226	22,068	28,165	31,105	39,391	42,752	41,206	51,956	52,533	55,201
Retained income	16,997	20,816	16,362	17,681	13,132	16,454	20,241	19,152	16,999	20,056

1. Includes provisions for loan and lease losses and for allocated transfer risk.