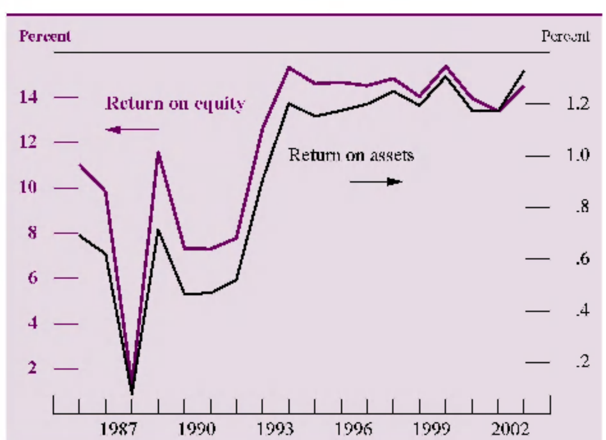
Profits and Balance Sheet Developments at U.S. Commercial Banks in 2002

Mark Carlson and Roberto Perli, of the Board's Division of Monetary Affairs, prepared this article. Thomas C. Allard assisted in developing the database discussed in this article and is responsible for maintaining it. Steve Piraino provided research assistance.

The U.S. commercial banking industry continued to be highly profitable in 2002, despite the lackluster performance of the U.S. economy. Returns on both bank equity and assets rose, the latter reaching its highest level in more than three decades (chart 1). An important contributor to last year's bank profitability was the decline to extraordinarily low levels of market interest rates. As a result of the Federal Reserve's aggressive easing in 2001 in response to economic weakness, short-term interest rates were low throughout 2002 and fell further in November as monetary policy was eased again (chart 2). Longer-term rates backed up early in the year before falling dramatically to multidecade lows by year-end. With the cost of holding liquid deposits low and with weak equity markets evidently adding to the attractiveness of liquidity, banks were the recipients of large inflows of inexpensive savings deposits that helped to reduce interest expense and boost net interest margins. Net interest margins also benefited from the shape of the yield curve, which, despite the decline in long-term rates, was considerably steeper on average in 2002 than in 2001. In addition, the decline in longer-term interest rates boosted realized gains on securities. Profitability was supported as well by a reduction in non-interest expense following a change in accounting rules that substantially limited the requirement to amortize goodwill. Finally, bank profitability benefited from a leveling off of loan charge-offs and loan provisioning, which seemed to reflect an improved ability of the household and business sectors to service their bank loans and other debt made possible by the generally low levels of market interest rates.

Both the household and business sectors took considerable advantage of falling long-term interest rates to strengthen their balance sheets. A drop in mortgage rates to record lows prompted a surge of mortgage refinancing. Households were able to reduce their interest rate burden in part by liquidating some of the equity in their homes and using the proceeds to pay down more-expensive consumer debt. Corporations also enjoyed a reduction in their interest rate burdens. Moreover, by issuing bonds and paying down short-term debt obligations, they were able to

1. Measures of bank profitability, 1985–2002

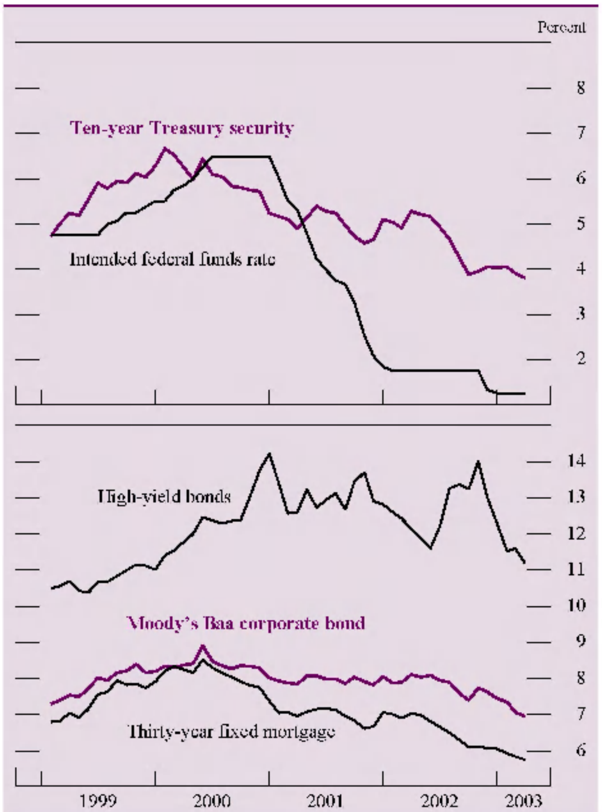


NOTE. Except where otherwise indicated, data in this article are from the quarterly Reports of Condition and Income (Call Reports) for insured domestic commercial banks and nondeposit trust companies (hereafter, banks). The data consolidate information from foreign and domestic offices and have been 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 2002, the approximate asset sizes of the banks in those groups were as follows: the ten largest banks, more than \$87 billion; large banks, \$6.7 billion to \$85 billion; medium-sized banks, \$376 million to \$6.5 billion; and small banks, less than \$376 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 the Federal Deposit Insurance Corporation, Statistics on Banking, 1999. The data reported here are also available on the Internet at http://www.fdic.gov/bank/statistical/statistics/index.html.

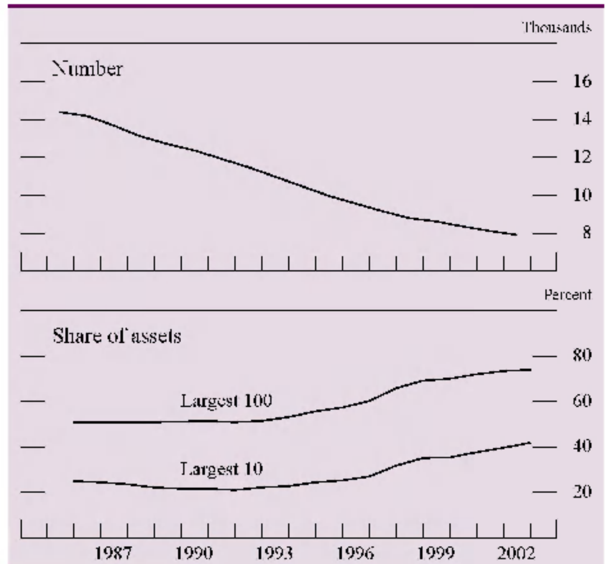
Data shown in this article may not match data published in earlier years because of revisions and corrections. In the tables, components may not sum to totals because of rounding. Appendix table A.1, A–E, reports portfolio composition, income, and expense items, all as a percentage of overall net consolidated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

2. Selected interest rates, 1999–2003: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, 1985–2002



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

bolster liquidity. The balance sheet strengthening on the part of both households and firms likely contributed to the stabilization of banks' credit quality during 2002. With delinquency rates for business and household loans flattening or declining, banks were able to hold loss provisioning steady, albeit at a high level.

Commercial and industrial lending continued to decline in 2002 and reflected weak business investment and the paydown of loans with the proceeds of bond issuance. However, bank support of the mortgage market was considerable: The share of bank assets accounted for by residential mortgages and mortgage-backed securities rose over the year by 2½ percentage points, to 26.1 percent.

According to the Federal Deposit Insurance Corporation, ten commercial banks failed in 2002 and required government assistance to dispose of their assets and insured deposits. At the time of closing, these banks held about $2.5 billion in assets, a tiny percentage of industry assets but the highest share since 1993. The number of bank mergers fell for the second consecutive year, to 305, the smallest number in more than a decade. With the slow pace of economic recovery, only 111 new bank charters were created in 2002, the lowest number in any year since 1994. Thus, total commercial banks in the United States continued to decline, falling to 7,935 as of December 31, 2002 (chart 3).[1] The share of industry assets at the ten largest banks continued to increase in 2002, and the rise was due largely to an internal consolidation among Citigroup subsidiaries. This consolidation had little effect on the share of assets at the largest 100 banks, as it took place within this group.

Reorganization activity also declined at the bank holding company (BHC) level. The number of mergers between BHCs dropped to 126, the smallest number since 1991. The formation of new BHCs, however, pushed up the overall total by 2 over the year, to 5,963. The share of banking and nonbanking assets held by the top fifty BHCs remained flat, at about 77.5 percent. The number of financial holding companies, a subset of BHCs that have a greater scope of allowed activities under the Gramm–Leach–Bliley Act, rose to 715 in 2002, up from 665 in 2001. The share of BHC assets held at financial holding companies rose to 74 percent.

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.

BALANCE SHEET DEVELOPMENTS

Total bank assets grew 7.2 percent in 2002, about in line with the expansion of total domestic nonfinancial debt (table 1). Asset growth was driven primarily by real estate loans—particularly residential mortgage and home equity loans—and securities held on balance sheet. These advances more than offset sharp declines in commercial and industrial loans. Overall, total loans and leases increased 5.9 percent last year, a pace more than three times that in 2001.

On the liability side of the balance sheet, banks enjoyed continued strong inflows of core deposits, a reflection of the drop in the opportunity cost of holding liquid deposits and, apparently, of a surge in the demand for safe, liquid assets stemming from increased economic uncertainty and a volatile and weak stock market. Even so, banks found it necessary to expand their managed liabilities moderately.

Banks seemed to respond to the uncertain economic outlook in 2002 by bolstering their capital positions. Equity capital grew somewhat more quickly than assets, and the ratio of total regulatory capital to risk-weighted assets rose slightly as well; the increase in the latter ratio reflected the strong growth of assets with low risk weights, such as Treasury and agency securities and residential mortgages.

Loans to Businesses

Commercial and industrial (C&I) loans fell 7.3 percent over the year, the largest decline since 1991. The contraction was due mainly to weak demand, but the decrease reflected also a further tightening of

1. Annual rates of growth of balance sheet items, 1993–2002

Percent

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	MEMO: Dec. 2002 (billions of dollars)
Assets	5.68	8.06	7.55	6.10	9.23	8.25	5.43	8.77	5.12	7.18	6,954
Interest-earning assets	6.43	5.29	7.77	5.79	8.67	8.29	5.83	8.73	3.95	7.51	5,998
Loans and leases (net)	6.05	9.83	10.53	8.12	5.33	8.90	8.03	9.35	1.84	5.87	4,002
Commercial and industrial	.52	9.33	12.26	7.24	12.02	12.94	7.88	8.54	−6.72	−7.29	904
Real estate	6.13	7.90	8.32	5.45	9.30	7.99	12.22	10.74	7.94	14.45	2,049
Booked in domestic offices	6.17	7.64	8.47	5.51	9.52	7.97	12.36	11.02	8.01	14.86	2,018
One- to four-family residential	11.08	10.09	10.05	4.66	9.67	6.36	9.70	9.28	5.69	19.89	1,152
Other	.22	4.35	6.24	6.75	9.32	10.29	16.06	13.31	10.95	8.80	866
Booked in foreign offices	4.67	18.35	2.81	3.18	..34	8.79	6.28	−1.62	3.97	−7.41	31
Consumer	9.06	16.01	9.50	4.90	−2.19	.99	−1.47	8.06	4.25	6.46	649
Other loans and leases	9.98	5.29	14.23	22.28	−7.91	14.06	6.69	7.81	−1.93	−0.34	477
Loan-loss reserves and unearned income	−5.82	−2.21	.25	−0.06	−0.50	3.47	2.36	8.04	13.15	5.64	79
Securities	12.26	−4.14	.57	.86	8.85	8.40	5.11	6.36	7.17	16.18	1,518
Investment account	8.11	−1.73	−1.58	−1.10	8.66	12.06	6.68	2.85	8.82	13.52	1,308
U.S. Treasury	n.a.	n.a.	−19.21	−14.28	−8.86	−25.17	−1.89	−32.72	−40.27	41.92	63
U.S. government agency and corporation obligations	n.a.	n.a.	6.43	3.63	14.18	17.00	1.83	3.75	12.84	17.92	822
Other	n.a.	n.a.	4.20	1.83	11.20	26.99	20.90	13.39	12.01	2.97	422
Trading account	51.84	−20.46	18.51	14.44	10.00	−13.32	−6.93	37.16	−3.72	36.03	210
Other	−8.10	3.30	8.60	1.04	38.55	3.80	−8.37	10.30	13.00	−2.88	478
Non-interest-earning assets	−.30	31.61	6.06	8.29	13.03	7.97	2.81	9.01	12.89	5.16	956
Liabilities	5.12	8.31	7.17	5.96	9.12	8.13	5.57	8.59	4.46	7.12	6,321
Core deposits	1.49	−0.17	3.96	4.13	4.52	7.04	.23	7.53	10.55	7.57	3,422
Transaction deposits	5.47	−.32	−3.09	−3.44	−4.55	−1.41	−8.98	−1.31	10.19	−5.09	701
Savings and small time deposits	−.85	−.07	8.37	8.35	9.03	10.73	3.80	10.54	10.66	11.40	2,720
Managed liabilities[1]	12.30	17.58	10.44	9.66	13.83	9.60	15.50	8.80	−2.70	5.32	2,427
Deposits booked in foreign offices	15.06	30.89	5.13	4.27	11.13	8.71	14.60	7.84	−10.96	4.49	658
Large time	−9.21	8.72	19.61	21.17	20.14	9.09	14.19	19.37	−3.65	5.08	571
Subordinated notes and debentures	10.82	9.23	6.61	17.74	21.05	17.00	5.07	13.98	9.56	−.60	94
Other managed liabilities	22.18	12.91	11.24	8.21	12.23	9.88	17.69	3.92	2.54	6.48	1,105
Other	15.30	79.17	20.46	2.60	23.79	8.59	−6.39	15.43	3.04	13.62	472
Equity capital	12.58	5.24	12.00	7.74	10.44	9.59	3.93	10.68	12.31	7.87	633
MEMO											
Commercial real estate loans[2]	−.60	4.01	6.34	7.67	10.12	11.37	15.42	12.16	12.86	6.88	865
Mortgage-backed securities	n.a.	n.a.	.67	2.06	14.15	22.12	−3.34	3.29	28.97	15.53	691

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.

Commercial and Industrial Lending by Size of Bank and Size of Loan

The runoff in C&I loans in 2001 and 2002 occurred entirely at the 100 largest commercial banks (chart a). Growth of C&I loans at other banks (institutions not among the 100 largest banks), though slowing, continued to be positive over this period. This divergence between small and large banks contrasts sharply with their much more comparable behavior following the business-cycle peak in 1990. Data on small business loans, available annually since 1993, make it also possible to examine the pattern of business loan growth by size of borrower.[1] As with C&I loans at small banks, loans to small businesses continued to expand over 2001 and 2002, while loans to other, mostly large businesses contracted (chart b). Further insight is gleaned from an examination of business loan data disaggregated by both loan size and borrower size. This analysis reveals that the runoff of business loans at large banks in 2001 and 2002 was due entirely to loans to other—not small—businesses (chart c). At small banks, the slowdown in lending was about equally shared by both small and other businesses (chart c).

The relative importance of supply and demand factors in explaining the changes of business lending by small and large banks and the implications for the supply of credit to large and small businesses in recent years are analyzed in this box.

Demand Factors

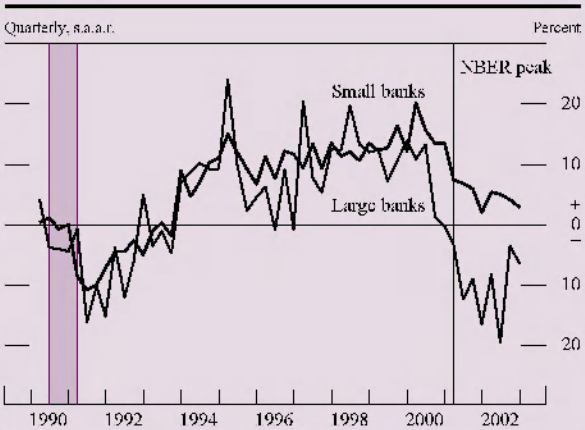
Over the 2001–02 period, sluggish capital expenditures and sharp inventory runoffs reduced the borrowing needs of firms and significantly depressed demand for C&I loans at both small and large banks. Dwindling merger and acquisition activity and access to the corporate bond market and other sources of external finance among larger firms amplified the reduction in C&I loan demand at large banks, as their bigger customers issued bonds in volume to lock in historically low long-term interest rates. Demand-side influences, therefore, appear to be a factor in the recent divergence in the growth rates of C&I loans at small and large banks as well as at small and large businesses.

Supply Factors

Measures of C&I loan pricing at large and small banks from the Survey of Terms of Business Lending (STBL), however, indicate that differences in demand tell only part of the story (chart d).[2] Large commercial banks significantly raised the risk spread on large loans—measured as the loan rate less the rate on a market instrument of comparable maturity, a proxy for funding costs—during the recent period of cyclical weakness. At the same time, these banks lowered rates charged on small C&I loans slightly faster than the decline in estimated funding costs, a move that fostered a more hospitable borrowing environment for smaller firms. By contrast, small banks have increased risk spreads on small C&I loan originations over the past couple of years. The variability and lack of clear systematic movement in risk spreads on extensions of large loans at small banks during this period indicate that a relatively small number of large C&I loans originated at these institutions.

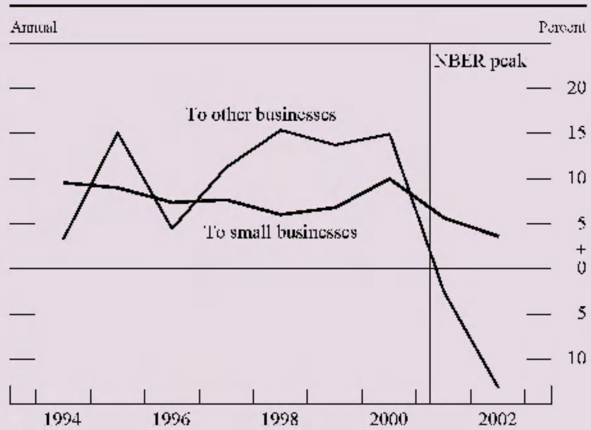
Differences in the pricing of small C&I loans at large and small banks may reflect in part the greater diversification of small business loan portfolios—both across industries and across regions—at large institutions, brought about by

A. Growth of C&I loans, by bank size, 1990–2002



Note. The large bank category comprises the top 100 institutions in terms of assets; the small bank category comprises institutions outside the top 100. Data have been merger adjusted.
Source. Call Report.
NBER National Bureau of Economic Research.

B. Growth rates of C&I loans, by size of borrower, all commercial banks, 1994–2002



Note. Growth rates are Q2 over Q2. Loans to small businesses are in the original amount of $1 million or less. Loans to other businesses are in the original amount of more than $1 million.
Source. Call Report.
NBER National Bureau of Economic Research.

Commercial and Industrial Lending by Size of Bank and Size of Loan—Continued

the substantial number of mergers since the mid-1990s. By diluting the impact of idiosyncratic loan risk, the increasing diversification would allow large banks to price loans to small businesses more aggressively. The ability of small banks to remain competitive—despite the evidence of relative increases in their loan rates in recent years—may be due to their information advantage in establishing and maintaining local lending relationships.[3]

The increased risk in making loans to larger firms likely explains the run-up in risk spreads on large business loans at large commercial banks. Recent corporate governance problems, for example, were concentrated among large corporations. Moreover, worsening corporate credit quality was most pronounced in the telecom, energy, and airline sectors, industries dominated by big firms that are unlikely to borrow from smaller banks. This interpretation is corroborated by the faster rise in recent years and higher level of delinquency rates on C&I loans at large banks than at small banks. Greater risk in underwriting big C&I loans would act to restrict loan supply at large banks and would exacerbate any contraction in C&I lending stemming from reduced loan demand. The modest narrowing of risk spreads for small loans at large banks, by contrast, would tend to promote borrowing by small businesses.

Lending to Small Businesses by Large and Small Banks

The growth of C&I loans to small businesses has been consistently stronger at small banks than at large banks (charts a and c). However, to prevent distortions to relative growth rates caused by the wave of bank consolidations since the mid-1990s, these growth rates have been adjusted for mergers between small and large banks. In fact, large banks have acquired a substantial volume of loans to small businesses through purchases of smaller banks. Indeed, Call Report data that have not been adjusted for mergers show that large banks' share of all small business loans has risen from less than one-third of outstandings in 1994 to about one-half in 2002. Thus, large banks have increased their share of the market for small business loans even though they have made relatively few such loans over and above what they have acquired through mergers. At the same time, loans to small businesses have become a growing share of business loans at small banks: In 2002, small business loans accounted for almost 60 percent of C&I loans outstanding at small banks, compared with about 48 percent in 1994. At large banks, by contrast, the share of small business loans as a fraction of their total C&I loan portfolio remained remarkably stable from 1994 to 2002, at around 16 percent.

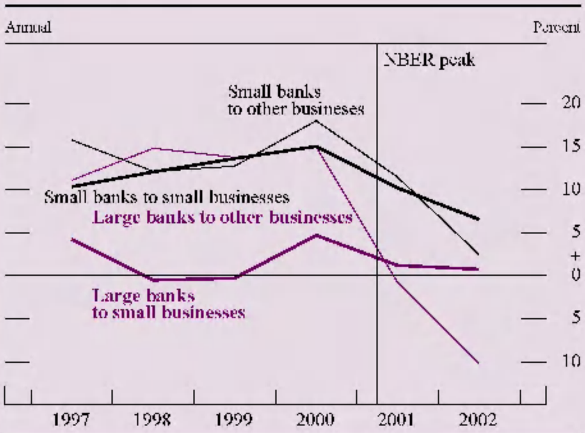
NOTE. Egon Zakrajšek, of the Division of Monetary Affairs, prepared this box material.

1. Since 1993, domestic commercial banks have reported both their C&I and commercial real estate loans outstanding to small businesses in their June Call Reports. Both types of loans to small businesses are defined as follows: (1) loans with original amounts of \$100,000 or less, (2) loans with original amounts between \$100,000 and \$250,000, and (3) loans with original amounts of between \$250,000 and \$1 million. For the purposes of this memo, the three loan size classes were aggregated into a single "C&I loans to small businesses" category; the remainder of the C&I loans outstanding—in the original amount of more than \$1 million—compose the "C&I loans to other businesses" category.

2. Because the STBL uses a stratified sample of the banking universe, the large bank category in the survey is not the same as the 100 largest banks. The STBL large bank category includes about forty of the largest institutions in terms of assets.

3. The loan rate data exclude information of any lending fees that may be present and thus should be considered as indicative rather than definitive measures of lending costs.

C. Growth rates of C&I loans, by size of bank and borrower, 1997–2002

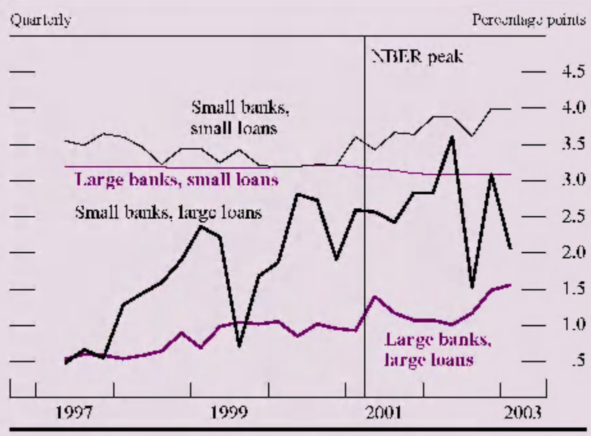


NOTE. Growth rates are Q2 over Q2. Loans to small businesses are in the original amount of \$1 million or less. Loans to other businesses are in the original amount of more than \$1 million. Data have been merger adjusted.

SOURCE. Call Report.

NBER National Bureau of Economic Research.

D. Weighted median risk spread on C&I loans, by size of loan and bank, 1997–2003:Q1



NOTE. Small loans are those \$1 million or less (in 1996 dollars); large loans are those greater than \$1 million (in 1996 dollars). The spread is over the market rate on an instrument of comparable maturity.

SOURCE. Survey of Terms of Business Lending.

NBER National Bureau of Economic Research.

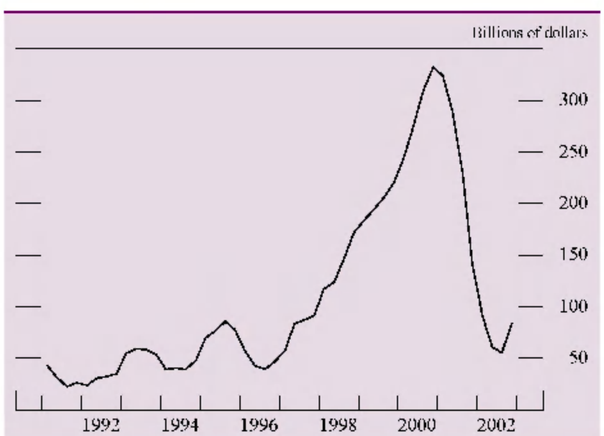
bank lending policies. Although nonfinancial firms expanded their capital expenditures a bit last year, their internally generated funds rose smartly, which caused the financing gap—and thus borrowing needs—to plummet to levels not seen since 1997 (chart 4). A paucity of merger activity and the attractiveness of the bond market as an alternative source of funds, which induced many firms to issue longer-term debt and use the proceeds to pay down bank loans and other short-term debt, also held down demand. Respondents to the Federal Reserve's Senior Loan Officer Opinion Survey on Bank Lending Practices (BLPS) noted these factors, particularly the first two, in reporting that the demand for C&I loans was quite weak in 2002 (chart 5, third panel).

On net, BLPS respondents also reported a tightening in lending standards in all four surveys conducted in 2002, although these fractions declined over the course of the year (chart 5, top panel). A similar picture can be painted for lending terms (chart 5, second panel): According to the BLPS, a substantial percentage of banks (albeit a smaller one than in 2001) reported increased spreads over the cost of funds and increased premiums for riskier loans throughout the year. The responses to special questions in the April 2002 BLPS indicated that most respondent banks, which accounted for more than 90 percent of total C&I loans plus unused loan commitments, had also tightened standards and terms for backup lines of credit for commercial paper issuers, particularly those with A2/P2 ratings. Virtually all the banks cited heightened concerns about possible deterioration in issuers' credit quality and a higher probability of lines being drawn because of less-certain conditions in the commercial paper market as reasons for tightening standards and terms. Concerns about improper corporate accounting practices also restrained supply: According to the August BLPS, most banks had increased their scrutiny of financial statements and loan details in response to the wave of accounting scandals that permeated the first part of the year.

Nonetheless, results from the October BLPS suggested that reduced demand from creditworthy borrowers was a much more important reason than tighter supply conditions for the decline in C&I loans last year. Most of the BLPS banks are included in the 100 largest banks, for which C&I loans dropped more than 10 percent in 2002; in contrast, smaller banks posted a positive growth rate, albeit below that of previous years (see box on C&I lending).

Unlike C&I loans, growth in commercial real estate (CRE) loans was solid in 2002, at 8.8 percent,

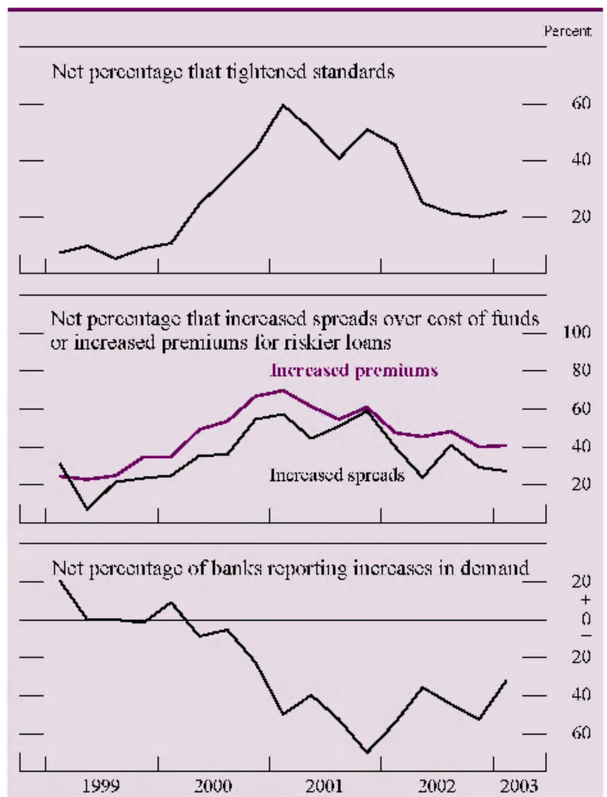
4. Financing gap at nonfarm nonfinancial corporations, 1991–2002



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. Supply and demand conditions for C&I loans at selected banks, large and medium-sized borrowers, 1999–2003: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.

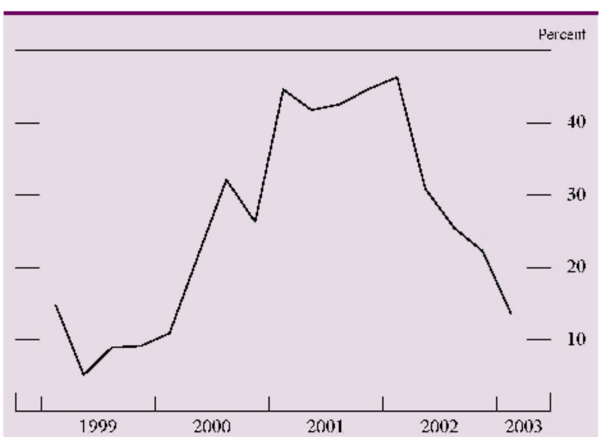
SOURCE. Federal Reserve Board, "Senior Loan Officer Opinion Survey on Bank Lending Practices."

down modestly from the 10.9 percent growth of 2001. The slowdown was due entirely to a sharp deceleration in the expansion of construction and land development lending, which was likely pulled down by high rates of office vacancy and declining office rents. The growth of nonfarm, nonresidential loans and multifamily loans actually picked up in 2002. As has been the pattern of the past several years, lending grew faster at small banks than at larger banks: The top 100 banks expanded their commercial real estate loans 2.2 percent, less than half the 2001 growth rate, while growth at other banks was 16.1 percent, only a bit less than in the previous year. According to the banks in the BLPS, which are mainly large ones, slower CRE lending flows appeared to reflect both tighter lending conditions and weaker demand. A substantial (although declining) fraction of BLPS respondents reported a tightening of lending standards throughout 2002 (chart 6). In addition, responses to the April 2003 BLPS indicated that terms for CRE loans had been tightened during 2002, as they had been in 2001, with significant percentages of banks reporting increased loan spreads and higher loan-to-value ratios. Banks cited mostly concerns about the general and local economic outlook as well as a decreased tolerance for risk as the main causes for tightening their terms. Demand for CRE loans continued to weaken throughout the year, according to BLPS respondents.

Loans to Households

Record low mortgage rates supported the growth of residential mortgage loans held by commercial banks,

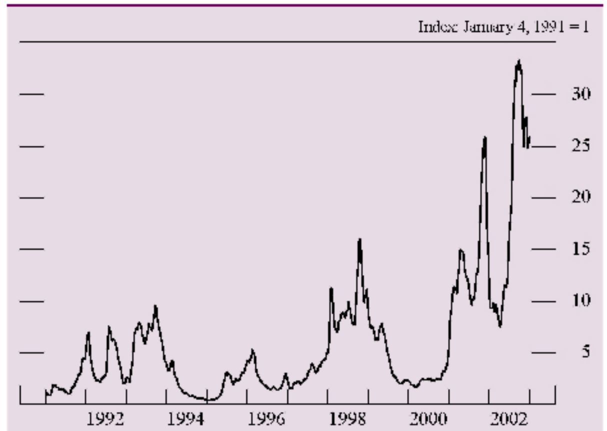
6. Net percentage of selected banks that tightened standards for commercial real estate loans, 1999–2003:Q1



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."

7. Index of home mortgage refinancing activity, 1991–2002



SOURCE. Mortgage Bankers Association.

which jumped an extraordinary 20 percent in 2002. Home equity loans expanded nearly 40 percent, and other one- to four-family residential mortgages also grew rapidly. This acceleration appeared to be due in part to a lack of securitizations, as outstanding residential mortgages securitized by banks and for which banks retained servicing rights or provided credit enhancements declined slightly.[2] The lack of growth in these securitized residential loans may reflect a reduction in the cost of funding loans on balance sheet due to strong inflows of deposits (discussed below).

The vigorous demand for residential mortgage credit was due to both an increase in housing construction and the desire of many homeowners to cash out part of their accumulated equity in existing homes. The Mortgage Bankers Association's index of refinancing activity was moderate for the first part of 2002 but surged in the second half, coincident with the sharp decline in mortgage rates, and peaked at a level even higher than that registered in the fall of 2001 (chart 7). Almost half the respondents to the October BLPS indicated that between 20 percent and 40 percent of the customers who refinanced their mortgages over the previous six months engaged in cash-out refinancing; about

2. Securitized loans outstanding for which banks retain servicing rights or provide recourse or other credit enhancements have been reported on bank Call Reports only since June 2001. Thus, 2002 is the first year for which the annual growth of those loans is available. Such securitized one- to four-family residential mortgage loans (excludes home equity loans) stood at $712 billion at the end of 2002; the amount compares with $937 billion held on balance sheet. For home equity loans, the respective values were $21 billion for securitized loans and $214 billion for loans held on balance sheet. Banks do not report securitized loans for which they neither retain servicing rights nor provide credit enhancements.

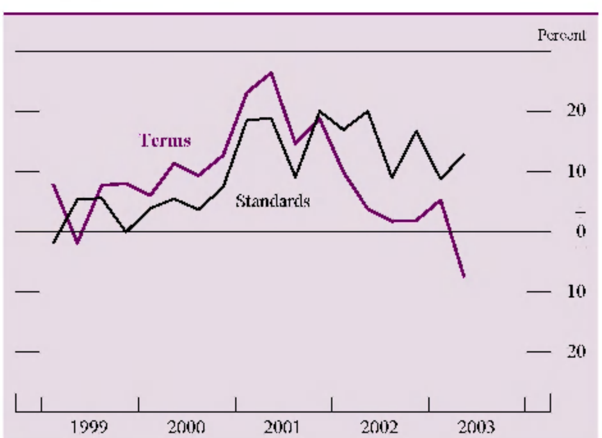
one-fifth of banks reported that more than 40 percent of their customers did so.

A main reported use of these funds was to pay down other, more expensive household debt. Nevertheless, consumer loans held on banks' balance sheets grew an overall 6.5 percent in 2002—more than 2 percentage points faster than in 2001. The boost was due largely to a 7.3 percent expansion of consumer installment loans that probably reflected in part strong auto sales last year. In contrast to the brisk advance of consumer loans held on balance sheet, securitized consumer loans on which banks retained servicing rights or provided credit enhancements grew sluggishly last year, again perhaps because of a more favorable cost of directly funding consumer loans on balance sheet.[3]

Although many banks have reported efforts to expand their lending to households, banks have also increased their scrutiny of credit cards and consumer installment loans, amid high charge-off rates on these loans (discussed below). According to the BLPS, the percentage of banks reporting tighter lending standards for credit card and other consumer loans oscillated between about 10 percent and 20 percent during the year, although the percentage of banks reporting tighter terms declined in the first part of the year and remained low thereafter (chart 8).

3. Banks securitize a considerable share of the consumer loans they originate. At the end of 2002, securitized consumer loans on which banks retained servicing rights or provided credit enhancements stood at $353 billion, compared with $649 billion held on balance sheet. More than 90 percent of securitized consumer loans were credit card receivables.

8. Net percentage of selected banks that tightened standards on consumer loans other than credit card loans, 1999–2003:Q1



NOTE. Net percentage is the percentage of banks reporting a tightening of standards or terms less the percentage that reported an easing. Tightening or easing of terms represents an 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."

Other Loans and Leases

Other loans and leases edged slightly lower in 2002. Because many leases, the largest component in this category, are made to businesses, this weak performance is probably due to some of the same factors that depressed C&I loans over the past two years. Also, banks' interest in engaging in automobile leases may have faded after reportedly lower-than-expected profits in previous years from such transactions. The second largest component of other loans and leases, lending to other depository institutions, posted strong growth after a decline in 2001.

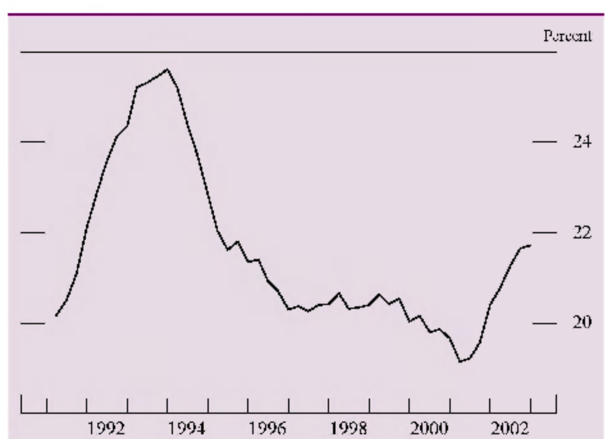
Securities

Banks' holding of securities jumped more than 16 percent in 2002, the strongest advance in the past ten years. The increase reflected a rapid expansion of both trading accounts and investment accounts.[4] As a share of total assets, securities increased 1.3 percentage points, to 21.7 percent, at year-end (chart 9). The rise is a continuation of the trend initiated in 2001.

The attractiveness of securities may have reflected partly the steepness of the yield curve last year

4. Most investment account holdings are in the available-for-sale subcategory, which is marked to market, and increases in their reported values due to declining interest rates accounted for about 2.2 percentage points of reported total securities growth in 2002.

9. Bank holdings of securities as a share of total bank assets, 1991–2002



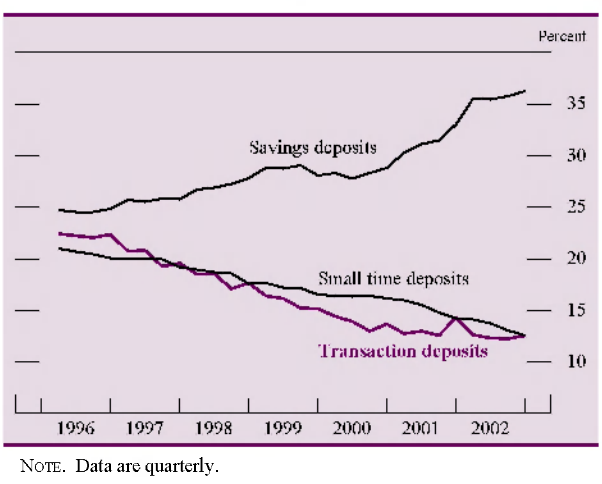
NOTE. Data are quarterly.

together with the short maturities of many bank liabilities. Much of the increase in banks' securities holdings was concentrated in mortgage-backed securities (MBS). The diversification of credit risk and low regulatory risk weights associated with agency-related MBS no doubt continued to serve as inducements for banks to expand their holdings of mortgage-related assets. As has been the case for several years, growth in MBS was stronger at small banks than at large banks, with institutions ranked outside the top 100 now holding about one-quarter of all MBS. Overall, at year-end MBS accounted for almost half of securities held in investment accounts and almost 10 percent of total assets. Treasury and agency securities (excluding agency MBS) also registered strong growth last year.

Liabilities

Core deposits expanded 7.6 percent in 2002, the highest growth rate of the past ten years, save for the 10.6 percent advance in 2001. In a pattern that is typical in periods of low market interest rates, the growth was fueled entirely by savings accounts, as the opportunity cost of the liquidity they provide fell further and a declining and volatile stock market generated a strong demand for liquid and safe assets. A runoff of small time deposits partly offset the strong inflows to liquid deposits, but the sum of small time and savings deposits expanded briskly and pushed the share of this category to almost 50 percent of total domestic liabilities (chart 10). The strong inflow of core deposits enabled banks, especially large ones, to hold down their reliance on more-expensive managed liabilities. A 5.1 percent contraction in transaction deposits resumed the pattern of decline exhibited since the mid-1990s. This downtrend appears to reflect the continued spread of arrangements to shift business balances into money market deposit accounts to decrease reserve requirements.

10. Selected domestic liabilities at banks as a share of their total domestic liabilities, 1996–2002



NOTE. Data are quarterly.

Total managed liabilities increased about 5 percent last year. Noticeably faster expansion among banks outside the top 100 reflected their stronger asset growth. The smallest banks, those ranked below the top 1,000, continued to show rapid growth in managed liabilities, although these instruments accounted for a relatively small share of their total liabilities.

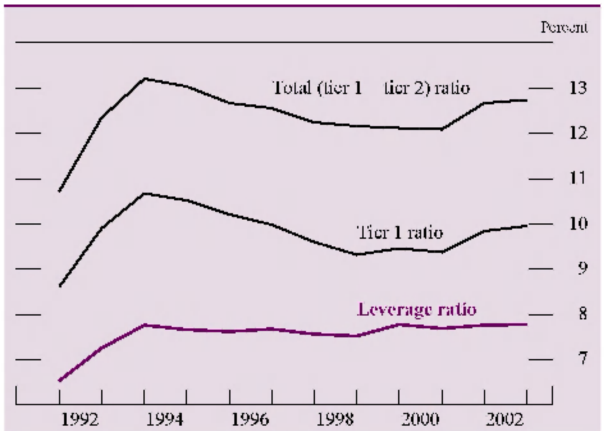
Capital

Equity capital increased 7.9 percent in 2002, a little faster than assets. Retained earnings, paid-in capital, and unrealized gains on available-for-sale securities all contributed to the rise in equity capital. While total assets rose more than 7 percent for the year, risk-weighted assets grew only about 4 percent. As in 2001, banks substituted securities and residential real estate loans, which carry relatively low risk weights, for assets with high risk weights, such as C&I loans.

Tier 1 capital increased 5.6 percent for the year, while tier 2 capital increased 2.3 percent.[5] The leverage ratio edged up 2 basis points, to 7.83 percent, at the end of the fourth quarter. The ratio of tier 1 capital to risk-weighted assets increased slightly to just under 10 percent. The ratio of tier 1 and tier 2 capital to risk-weighted assets rose to 12.83 percent over the year (chart 11). The increase of 7 basis points was due almost entirely to banks outside the top 100, for which the ratio advanced 29 basis points; at larger banks the ratio inched up only 2 basis points. The share of assets held by banks that were considered well capitalized for regulatory purposes

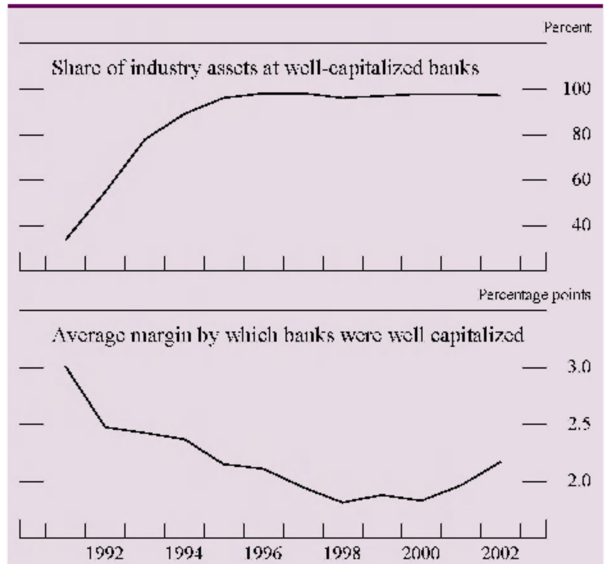
5. Tier 1 and tier 2 capital are regulatory measures. Tier 1 capital consists primarily of common equity (excluding intangible assets such as goodwill and excluding net unrealized gains on investment account securities classified as available for sale) and certain perpetual preferred stock. Tier 2 capital consists primarily of subordinated debt, preferred stock not included in tier 1 capital, and loan–loss reserves. Total capital is tier 1 plus tier 2 capital. 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 0 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.

11. Regulatory capital ratios, 1991–2002



NOTE. For the definition of capital ratios, see text note 5.

12. Assets and regulatory capital at well-capitalized banks, 1991–2002



NOTE. For the definition of "well capitalized" and of the margin by which banks remain well capitalized, see text note 6.

remained near its very high level of the past several years (chart 12).[6]

Derivatives

Derivatives are financial instruments whose value is based on the prices of other instruments. Banks enter into derivatives contracts both to satisfy customer demand in their role as market makers and to manage their own market and credit risks. Banks' use of such contracts, as measured by the notional value of the underlying assets involved, grew 24 percent in 2002, to more than \$56 trillion. The market value of a derivatives contract, however, is typically much smaller than its notional value. When acting to meet customer demand, banks usually limit their net exposure by entering into at least partially offsetting contracts with different counterparties. These offsetting transactions account for the bulk of banks' activities in derivative markets. At the end of 2002, the fair market value of banks' contracts that had positive market value was \$1.17 trillion, while the fair market value of contracts with negative value was \$1.14 trillion. On net, the fair value was \$27 billion, a level down about \$4 billion from 2001 but still well above the level of any other recent year. The overwhelming majority of derivatives contracts is held by large institutions: The top ten banks by assets held in excess of 97 percent of the value (either notional or fair) of all contracts last year.

The most common type of derivatives contracts is swaps, which are agreements to exchange the payment streams of two underlying assets (for example, the interest payments of a fixed-rate and of a variable-rate bond); at the end of 2002, swaps accounted for 58 percent of the notional value of all derivatives. Forwards (agreements to buy or sell the underlying asset for a certain price at a certain date in the future) and options (contracts giving the buyer the right to buy or sell a specified asset at a specified price on or before a certain future date) account for an additional 41 percent of total notional value.

One of the fastest growing derivatives markets in which banks are involved is that for credit derivatives, although it constitutes only about 1 percent of the total notional value. Credit derivatives transfer the risk of default of certain assets from one party, the beneficiary, to another, the guarantor; banks act both as guarantors and beneficiaries. The market for credit derivatives is even more concentrated than the market for other derivatives, with five banks accounting for 96 percent of the notional value outstanding. On net, banks have been receivers of guarantees in each

6. Well-capitalized banks are those with a total capital ratio greater than 10 percent, a tier 1 ratio greater than 6 percent, a leverage ratio greater than 5 percent, and a composite CAMELS rating of 1 or 2. Each letter in the CAMELS stands for a key element of a bank's financial condition—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. Among the leverage, tier 1, and total capitalized 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 chart 12—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.

year since 1997 (the first year for which data are available), except for 2001. In 2002 banks were net receivers of guarantees totaling about $59 billion. According to a survey conducted by Fitch Ratings, those net guarantees were likely provided largely by the insurance and reinsurance sector.

A series of special questions in the January 2003 BLPS elicited some information on how banks use the most common of credit derivatives, credit default swaps (CDS).[7] Only thirteen domestic banks said that they use CDS to hedge risk in their C&I loan portfolio. Even among those banks that use CDS for this purpose, the majority do so for less than 4 percent of their total C&I loan commitments (outstanding loans plus unused lines of credit). The most commonly cited reason for buying credit protection is that purchasing CDS is superior to selling loans outright because the transactions preserve the bank's relationship with the borrower. Also important was that CDS can provide protection for loans for which no resale or securitization markets exist. A smaller fraction of banks use CDS to acquire credit exposure—that is, they are net sellers of protection—and most of these banks that do so report that such exposure equals less than 2 percent of their total C&I loan commitments. The two most important reasons given for selling credit protection are its risk diversification benefits and its profitability relative to lending.

Almost all banks that use CDS, both as buyers and sellers of protection, reported that their participation in the CDS market did not affect their direct C&I lending. A few banks, however, indicated that their CDS market participation allowed them to increase moderately their direct C&I lending. Among the domestic banks that do not use CDS either to hedge loans or as standalone investments, most found the expenses related to CDS outweighed the benefits. Other often-cited reasons for avoiding CDS are their risk, the complications of managing them, and the difficulty of finding them in the desired amounts or maturities. Although relatively few banks actively participate in the CDS market, a majority of BLPS respondents reported using CDS spreads to impute value to certain loan assets or to price new loans.

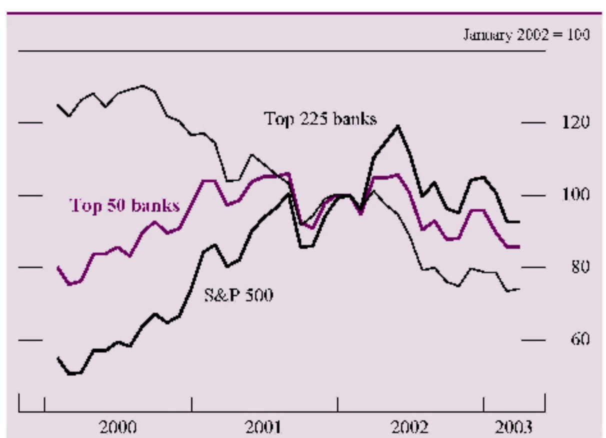
Trends in Profitability

The profitability of the banking industry increased markedly in 2002 as most income components improved. A steep yield curve fostered a noticeable rise in net interest income as a share of assets. Non-interest income grew at about the pace of recent years, but non-interest expense declined significantly as a share of assets, largely because of a change in accounting rules regarding goodwill rather than an active move on the part of banks to reduce costs. Falling interest rates allowed banks to book somewhat greater realized gains on securities in 2002 than in 2001. Loan–loss provisioning, while considerable, held steady as a share of assets as credit quality stabilized during 2002.

This confluence of positive developments caused banks' return on assets to rise 16 basis points, to 1.33 percent, the highest level in three decades, while the return on equity advanced 1.1 percentage points, to 14.5 percent. Consistent with robust aggregate earnings, relatively few banks were unprofitable: The proportion of banks with negative net income declined 1.7 percentage points, to 6.5 percent, and accounted for only 1.6 percent of industry assets.

A 22 percent surge in banks' dividend payments, made primarily to parent holding companies, reflected the strong earnings. Relative to after-tax income, dividends in 2002 were at their highest level in more than a decade. Also, rapid growth of retained income boosted equity capital. The high levels of profitability led bank holding company stocks (chart 13) to outperform the S&P 500 during 2002. Within that total, though, concerns about the exposure of the largest holding companies to some of the major corporate bankruptcies during the year restrained the growth of stock prices at the top fifty banking organizations. These concerns were most

13. Indexes of bank stock prices and the S&P 500. 2000–March 2003



Note. Banks are ranked by market value, and stock prices are weighted by market value.

Source. Standard and Poor's and *American Banker*.

7. In a credit default swap, the guarantor agrees, for an upfront or continuing premium or fee, to compensate the beneficiary by a specified amount upon the occurrence of a specified event, such as the default of the referenced obligor.

evident last summer, when the association of a few very large banks with major corporate accounting scandals began to surface and to receive intense publicity.

Interest Income and Expense

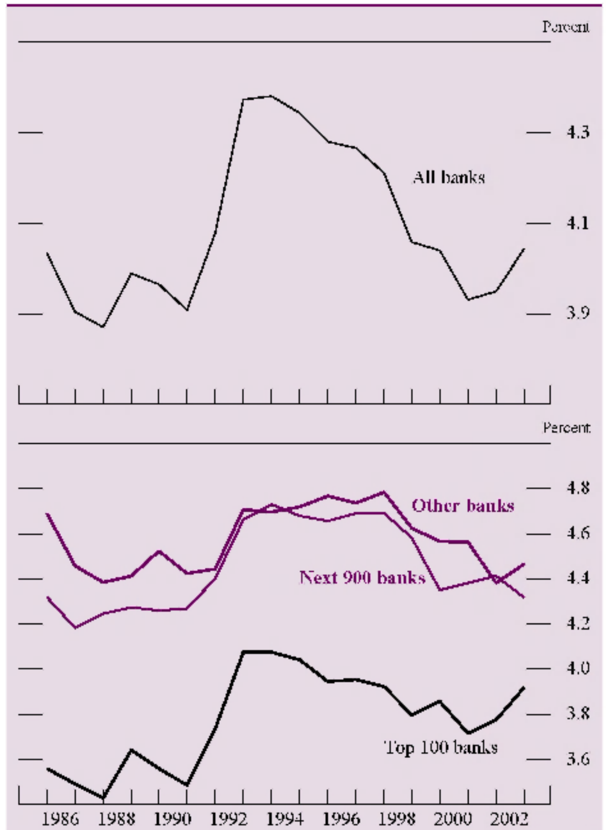
Banks' interest expense and interest income both moved down with the general level of interest rates last year. On balance, banks benefited as interest expense tumbled 37 percent, while interest income declined only 13 percent. Thus, the industry's net interest margin—the ratio of net interest income to average interest-earning assets—increased in 2002 for the second consecutive year, rising 9 basis points, to 4.04 percent (chart 14). Much of the improvement occurred early in the year, when the yield curve was steepest. As the yield curve flattened during the year, the net interest margin narrowed.

The rise in the net interest margin was greatest at the 100 largest banks.[8] Funding at these banks is dependent particularly on managed liabilities, and therefore this group benefited most from the substitution of these liabilities for less-expensive core deposits, discussed earlier. The net interest margin was also supported at these banks by a shift toward higher-yielding loans. The share of interest-earning assets that consists of consumer loans moved up from 10.0 percent to 10.5 percent, while the business loan share, which earned a rate of return 4.3 percentage points less than that of consumer loans last year, decreased from 17 percent to 14.5 percent.

The smallest banks, those outside the 1,000 largest, were also able to raise their net interest margin, despite benefiting least from the inflow of low-cost core deposits. Their success was due largely to their ability to limit the decline in the rate of return on their loans, especially real estate loans, which made up about 45 percent of their interest-earning assets.[9] Small banks were also relatively successful at limiting the decline in the rate of return on their non-credit-card consumer loans.

The net interest margin at banks among the 1,000 largest but outside the top 100 declined last year.

14. Net interest margins, by size of bank, 1985–2002



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

Although these banks gained somewhat from the inflow of lower-cost core deposits, they also experienced the largest decline in rates of return on their assets, a drop that reflected mainly a significant fall in the share of interest-earning assets consisting of relatively high-return consumer loans.

Non-interest Income and Expense

Non-interest income grew 5.3 percent in 2002, around the pace of the previous two years. The increase was due in large part to deposit fees, which expanded at a double-digit rate for the third consecutive year. Banks also enjoyed increased gains from the sale of loans, which, though small, nearly doubled as a share of total revenue. On their quarterly earnings statements, banks reported a rise in fees associated with mortgage refinancing, which evidently contributed to the 6.6 percent growth in other non-interest income. Fiduciary income, primarily fees received for services rendered by banks' trust divisions, declined for the second consecutive year.

8. The net interest margin rose particularly at the ten largest banks, boosted in part by the consolidation of Citigroup subsidiaries noted above. Even after adjusting for this consolidation, however, the net interest margin still rose noticeably at these largest banks. As noted above, the Citigroup consolidation had little effect on the performance of the 100 largest banks.

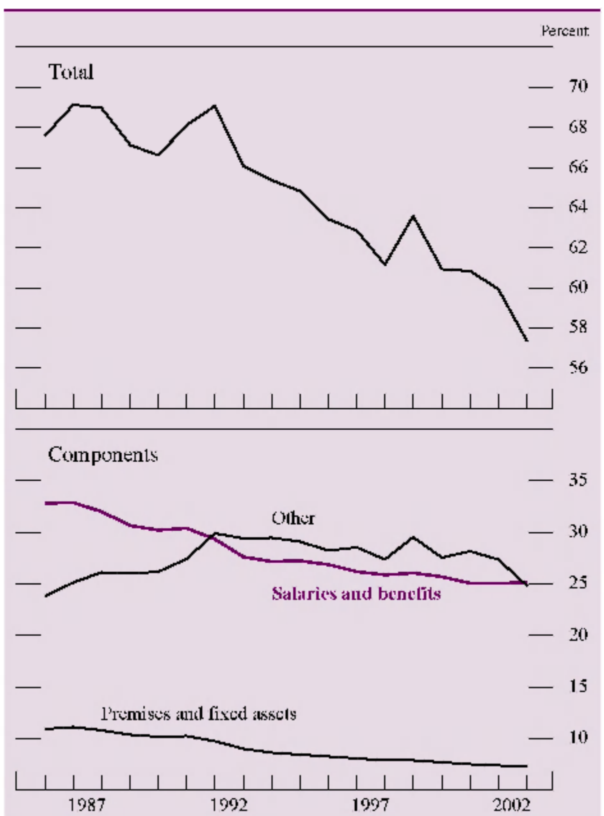
9. Data limitations prevent a disaggregation of earnings between residential and commercial real estate loans. Commercial mortgages account for 49 percent of all real estate loans at small banks, compared with 42 percent for all other banks.

Non-interest income was also restrained by a 15 percent drop in trading income.

The ratio of total non-interest expense to total revenue, already low by historical standards, dropped further in 2002, to about 57 percent (chart 15). Most of the decline was due to a change in the accounting rules that eliminated the requirement to amortize goodwill unless it is impaired (see box on "Goodwill"). A reduction in merger-related charges may also have been a factor behind the drop in non-interest expense in 2002: Measured by number and dollar volume, bank mergers were lower in 2002 than in any of the preceding five years. The decline in non-interest expense occurred last year despite a jump in the fourth quarter, attributable mainly to Citibank and J.P. Morgan Chase. The sudden rise likely reflected large legal fees and other costs associated with their roles in the Enron debacle and analyst malfeasance.

Salaries and benefits inched up relative to revenue in 2002. The increase was entirely at banks outside the top 100, where salaries and benefits have been steadily rising relative to total revenue since 1996. At the top 100 banks, the ratio of salaries and benefits to

15. Non-interest expense as a proportion of revenue, 1985–2002



Change in the Accounting Standards Regarding Goodwill

According to the Financial Accounting Standards Board (FASB), goodwill is an intangible asset that generally arises as the result of a corporate merger when the purchase price of a firm exceeds the difference between the fair value of the assets acquired and the liabilities assumed.[1] As the banking system has consolidated over the past decade, the amount of goodwill in the banking system has expanded rapidly, with an average annual growth rate of 32 percent (over the same period, assets expanded at an average annual rate of 6.8 percent). In 2002, goodwill was about $80 billion, or about 1.2 percent of total assets.

In previous years, FASB considered goodwill to be a "wasting asset" that would gradually dissipate and hence required that it be amortized over its useful life, up to a maximum of forty years. The expense associated with amortizing goodwill was reported on banks' balance sheets as part of non-interest expense. According to its Statement of Financial Accounting Standards No. 142, however, FASB now considers goodwill to generally represent the intangible "synergies" of the combined institution. As such, goodwill may have an indefinite life, so FASB no longer requires that it be amortized unless it becomes impaired. Goodwill may become impaired when a change occurs in a company's financial circumstances such that the amount of goodwill carried by the company exceeds the current implied fair value of goodwill. The new treatment of goodwill became effective for banks in their first fiscal year occurring after December 15, 2001, and contributed significantly to the one-time sharp decline in non-interest expense reported in 2002.

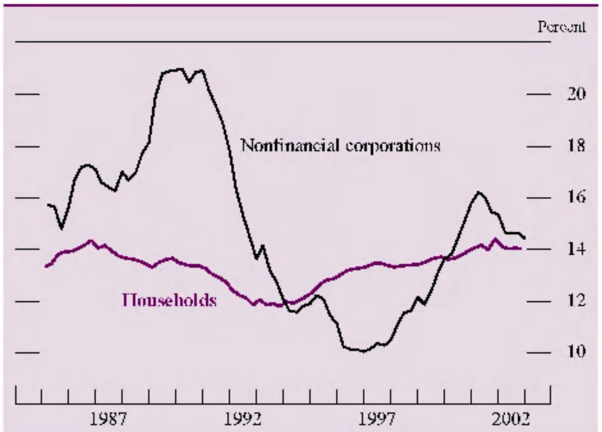
1. For mergers initiated before July 1, 2001, the FASB also allowed the use of a pooling-of-interest method of accounting. In a pooling of interests, the assets, liabilities, and retained earnings of each company are carried forward at their historical carrying amounts to the combined entity. In contrast to the purchase method, no goodwill is recorded in a pooling of interests. Operating results of both companies are combined for all periods before the consummation date, and previously issued financial statements are restated as though the companies had always been combined.

total revenue continued to trend down last year, albeit more slowly than during the late 1990s. The cost of premises and fixed assets relative to total revenue edged lower.

Loan Performance and Loss Provisioning

Credit quality generally stabilized during 2002. Despite some adverse developments, delinquency rates on most types of household and business loans declined, while others remained steady. On the corporate side, bankruptcies of several large firms,

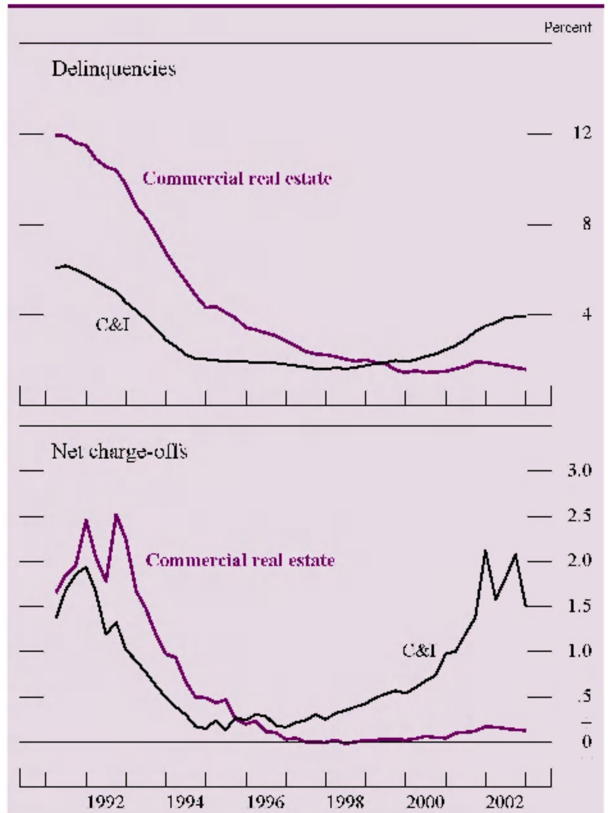
16. Debt burdens of businesses and households, 1985–2002



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. Data are quarterly.

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

17. Delinquency and charge-off rates for loans to businesses, by type of loan, 1991–2002



NOTE. The data are quarterly and 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.

including WorldCom, continued to pressure delinquency and charge-off rates, especially at large banks. Extreme financial stress was also a problem for a segment of the household sector, as the personal bankruptcy rate ran at record levels last year. Working strongly to counter the impact of these problems, however, were the declines in interest rates, which allowed for a material reduction in the debt burden of businesses and a leveling off for households (chart 16). Even so, debt burdens remain elevated in both sectors.

C&I Loans

The delinquency rate on C&I loans rose during the first two quarters of 2002, but it held steady through year-end at a relatively elevated 3.9 percent, despite continued runoffs in outstanding loans (chart 17). This pattern reflects primarily developments at the 100 largest banks; at other banks, the delinquency rate has been about unchanged since the second half of 2001 and is below that of the top 100 banks. The higher delinquency rate at large banks is consistent with the increased difficulties at large firms recently, which are reflected in the rise in bankruptcies following corporate governance scandals. Reportedly, the use of credit default swaps by some large banks mitigated the effects of some of the larger loan defaults on their credit quality.

While delinquency rates are far below the peaks of the early 1990s, recent charge-off rates have exceeded their earlier highs. According to responses to the April 2003 BLPS, C&I charge-off rates have been high in part because they have been associated with a relatively narrow group of delinquent loans on which recovery rates have been low. In addition, banks have charged off C&I loans aggressively, facilitated by the growth of a liquid secondary market for distressed loans. This market provides banks with a way to clear their balance sheets of underperforming loans. When loans are sold, they must first be classified as an "available-for-sale" asset and marked to market, with any shortfalls of market from book value charged off.

Commercial Real Estate Loans

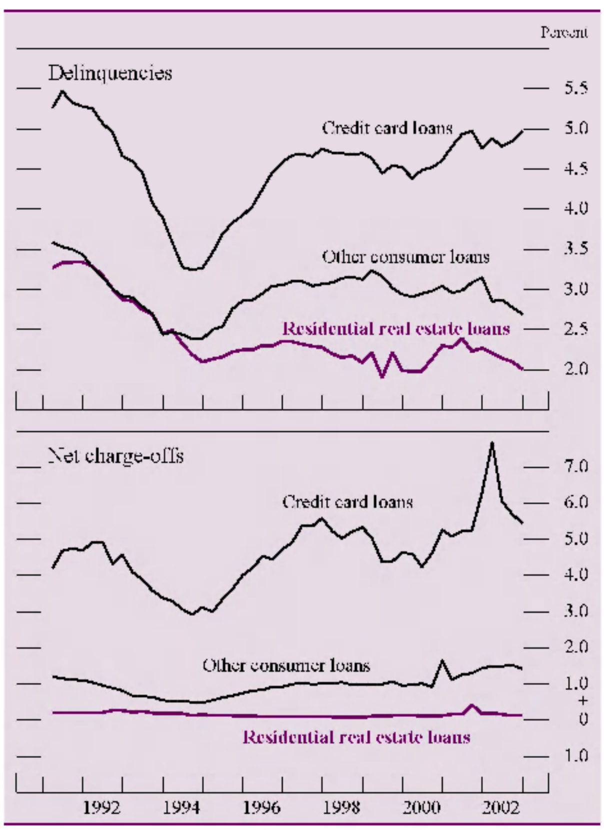
Vacancy rates for commercial office buildings continued to increase during 2002 and approached the levels of the early 1990s, and office rents fell faster than at any point during the previous fifteen years. Despite these signs of deterioration in commercial real estate markets, delinquency rates on commercial real estate loans were low and declining in 2002. Charge-off rates have also remained low.

According to the April 2003 BLPS, the improved quality of these loans reflects mainly declines in the burden of servicing them due to lower interest rates. In addition, banks reported that some borrowers have a substantial equity position in their properties, an additional incentive to keep loans current. Also, banks have been reporting on BLPS surveys since 1998 that they have been tightening standards on commercial real estate loans; and in the January 2002 and April 2003 surveys, they reported tightening lending terms in both 2001 and 2002. The most common method of tightening terms was to reduce maximum loan-to-value ratios.

Loans to Households

The credit quality of loans to households also generally improved last year as the household interest rate burden was held down by falling interest rates. Also, a decline in the delinquency rate on residential real estate loans during 2002 (chart 18) partly reflected the rapid expansion of these loans, as new loans are much less likely to become delinquent than older loans. Charge-off rates likely were held down by the rapid rise in housing prices over the past several years, which has served to reduce the likelihood of a loss to banks when loans are foreclosed.

18. Delinquency and charge-off rates for loans to households, by type of loan, 1991–2002



NOTE. See note to chart 17.

Delinquency rates on credit card loans, which averaged 4.87 percent in 2002, were little changed from the elevated level of a year earlier. By contrast, delinquency rates on consumer installment loans declined, reaching the lowest level since 1995. The high charge-off rates on both credit cards and consumer installment loans last year were perhaps partly a reflection of a jump in personal bankruptcies.

Securitized Loans

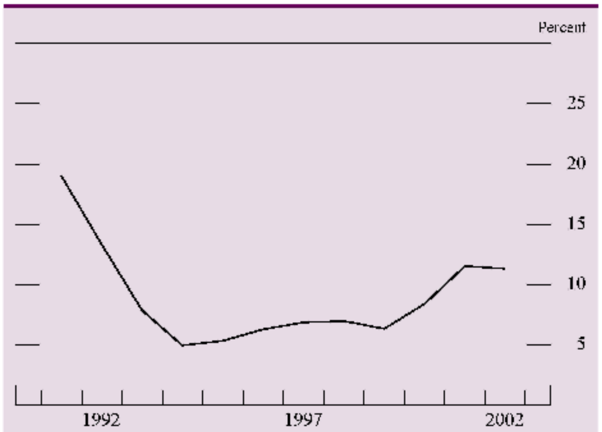
Delinquency rates on loans that had been securitized by banks and on which they retained servicing rights or provided credit enhancements, almost all of which are loans to households, also suggest a stabilization of credit quality: A year-end comparison shows that rates slipped from 4.9 percent in 2001 to 4.8 percent in 2002. For securitized residential real estate loans (both single-family mortgages and home equity loans), delinquency rates ticked up 9 basis points, to 5.0 percent, at the end of 2002. The rate on these securitized loans is more than twice the delinquency rate on loans that are held on banks' books, possibly because a greater proportion of the securitized loans are subprime. Like delinquencies on credit card loans held on banks' books, the delinquency rate on securitized credit card receivables was relatively flat during 2002 and averaged about 5 percent. Delinquency rates on securitized auto loans and some other small items declined.

Loss Provisioning

Loan charge-offs rose again last year, but the pace of the increase slowed markedly. Accordingly, after two years of growth at rates above 40 percent, loan–loss provisioning increased only 4.3 percent in 2002. As a share of loans and leases, loss provisioning edged up 2 basis points in 2002, to 1.16 percent, the highest level since 1992. However, banks' ability to absorb these losses improved slightly as the ratio of loss provisioning to total revenue moved down a touch, to 11.3 percent (chart 19).

The growth in loss provisioning occurred entirely at large banks, where charge-offs have been par-

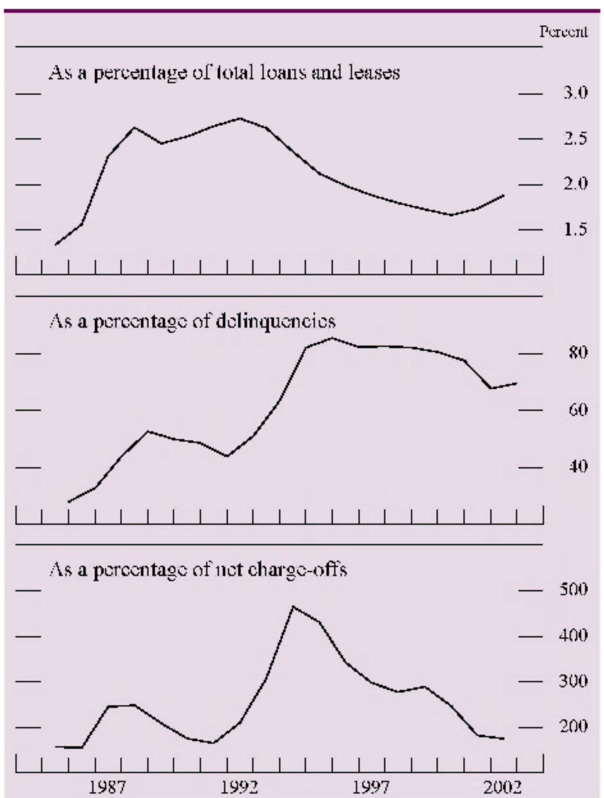
19. Provisioning for loan and lease losses as a percentage of total revenue, 1991–2002



ticularly high, consistent with the surge in large corporate bankruptcies. Loss provisioning decreased 11 percent at banks outside the 100 largest banks, where charge-offs have also diminished.

Additions to loan–loss reserves continued to bolster the ratio of loan–loss reserves both to total loans and leases and to delinquent loans (chart 20). However, as charge-offs grew faster than reserves, particularly at large banks, the ratio of loan–loss reserves to charge-offs again declined in 2002, moving down to 175 percent, the lowest level since 1991.

20. Reserves for loan and lease losses, 1985–2002



Note. For definitions of delinquencies and net charge-offs, see note to chart 17.

International Operations of U.S. Commercial Banks

With world economic growth remaining sluggish, banks curbed their foreign operations in 2002, and the share of bank assets booked in foreign offices fell for the fifth consecutive year, to 10.8 percent. The curtailment of operations abroad was particularly notable in Latin America, where U.S. banking activity declined 24 percent in 2002 (table 2). Argentina remained unstable following the crisis of late 2001, and apprehension regarding the future financial situation in Brazil was considerable. By contrast, lending in Eastern Europe, especially Russia, expanded by 36 percent, albeit from a small base. Exposure to Asia remained steady.

With the decline in exposure to foreign markets, the share of net income due to foreign operations fell to 6.5 percent, the lowest proportion during the past decade. Also contributing to the decline in earnings from international operations was the second consecutive yearly decrease in the return on foreign assets. Likely in response to continued credit problems in Argentina, loss provisioning for foreign loans increased significantly. Such loss provisioning as a ratio of foreign loans jumped to the highest level since 1989 and surpassed that associated with the Russian default of 1998.

Recent Developments

Bank profitability continued to be strong in the first quarter of 2003 as many trends of the previous year remained in place. On a seasonally adjusted basis, returns on equity and assets were at their averages for 2002. Robust mortgage refinancing and increased trading revenue provided support to non-interest income, while non-interest expense continued to decline as a share of assets. Although net interest income slipped, banks continued to book capital gains, and provisioning was noticeably below the average for last year on improving credit quality in both household and business sectors. Bank holding company stock prices moved roughly in line with the Wilshire 5000, ending the first quarter at about the same level as at the end of 2002. □

2. Exposure of banks to selected economies at year-end relative to tier 1 capital, by bank size, 1998–2002

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
2002	11.44	5.53	1.06	38.90	20.80	2.44	8.36	55.87
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
2002	16.96	8.17	1.63	57.32	31.14	3.65	12.38	82.45
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
2002	1.03	.65	.00	5.00	1.86	.02	.96	6.68
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
2002	36.32	17.55	3.37	123.53	66.15	7.75	26.55	177.40

NOTE. For definition of tier 1 capital, see text note 5. 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 2002, "all reporting" banks consisted of 74 institutions with a total of $318 billion in tier 1 capital; of these institutions, 10 were "large" banks (5 money center banks and 5 other large banks) with $206 billion in tier 1 capital, and the remaining 64 were "other" banks with $112 billion in tier 1 capital. The average "other" bank at year-end 2002 had $24 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/

Appendix tables start on page 260.

A.1. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1993–2002

A. All banks

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	89.06	87.11	86.97	87.38	87.15	86.77	87.05	87.17	86.53	86.46
Loans and leases, net	56.25	56.07	58.37	59.89	58.69	58.33	59.36	60.52	58.99	57.87
Commercial and industrial	14.88	14.51	15.20	15.60	15.78	16.37	17.07	17.17	16.09	14.08
U.S. addressees	12.72	12.35	12.87	13.07	13.18	13.62	14.43	14.67	13.70	12.05
Foreign addressees	2.16	2.16	2.33	2.53	2.60	2.75	2.64	2.49	2.39	2.04
Consumer	11.00	11.43	12.08	12.21	11.44	10.36	9.71	9.38	9.23	9.35
Credit card	3.88	4.21	4.69	4.87	4.55	3.96	3.51	3.52	3.63	3.78
Installment and other	7.11	7.22	7.39	7.34	6.89	6.39	6.20	5.87	5.61	5.57
Real estate	24.80	24.43	25.01	25.06	25.02	24.87	25.44	27.04	27.10	28.39
In domestic offices	24.18	23.80	24.36	24.43	24.41	24.30	24.87	26.50	26.60	27.91
Construction and land development	1.99	1.65	1.59	1.63	1.73	1.86	2.18	2.51	2.85	2.98
Farmland	.57	.56	.56	.56	.55	.55	.56	.56	.55	.56
One- to four-family residential	13.49	13.74	14.42	14.43	14.42	14.26	14.10	14.96	14.67	15.40
Home equity	2.07	1.91	1.88	1.85	1.94	1.89	1.76	1.96	2.18	2.79
Other	11.42	11.84	12.54	12.57	12.48	12.37	12.34	13.00	12.49	12.61
Multifamily residential	.79	.79	.81	.85	.83	.82	.88	.99	.97	1.02
Nonfarm nonresidential	7.33	7.07	6.97	6.96	6.88	6.81	7.15	7.48	7.56	7.95
In foreign offices	.62	.63	.65	.63	.61	.57	.57	.54	.50	.48
To depository institutions and acceptances of other banks	1.13	1.47	1.92	2.33	1.93	1.91	1.97	1.87	1.83	1.87
Foreign governments	.67	.41	.30	.26	.18	.15	.16	.12	.10	.09
Agricultural production	.99	1.00	.96	.92	.90	.89	.83	.78	.75	.70
Other loans	3.50	3.29	3.11	3.32	2.80	2.78	2.75	2.58	2.34	2.06
Lease-financing receivables	.99	1.03	1.19	1.51	1.87	2.14	2.53	2.65	2.62	2.47
Less: Unearned income on loans	−.21	−.16	−.14	−.12	−.09	−.07	−.06	−.05	−.04	−.05
Less: Loss reserves [1]	−1.51	−1.36	−1.26	−1.21	−1.13	−1.07	−1.04	−1.02	−1.04	−1.11
Securities	25.37	24.32	21.94	21.01	20.41	20.38	20.40	20.02	19.54	21.27
Investment account	22.50	21.60	19.39	18.20	17.25	17.49	18.34	17.59	16.82	18.30
Debt	22.50	21.21	18.98	17.75	16.75	16.94	17.73	16.93	16.49	17.99
U.S. Treasury	n.a.	6.71	5.25	4.20	3.38	2.71	2.14	1.66	.85	.79
U.S. government agency and corporation obligations	n.a.	10.26	9.81	9.75	9.74	10.28	10.85	10.31	10.08	11.46
Government-backed mortgage pools	n.a.	4.70	4.47	4.80	4.94	5.17	5.24	4.75	5.13	6.09
Collateralized mortgage obligations	n.a.	3.19	2.67	2.11	1.94	2.13	2.15	1.92	1.95	2.35
Other	n.a.	2.36	2.68	2.83	2.86	2.99	3.46	3.63	2.99	3.02
State and local government	n.a.	2.01	1.80	1.68	1.59	1.57	1.62	1.52	1.49	1.49
Private mortgage-backed securities	n.a.	.64	.62	.61	.50	.67	.88	.95	1.08	1.25
Other	n.a.	1.56	1.49	1.51	1.54	1.71	2.24	2.48	2.98	3.01
Equity [2]	n.a.	.39	.41	.45	.50	.55	.61	.66	.34	.31
Trading account	2.87	2.71	2.55	2.81	3.16	2.90	2.06	2.43	2.72	2.97
Gross federal funds sold and reverse RPs	4.27	3.82	3.93	3.82	5.18	5.37	4.61	4.12	5.11	4.81
Interest-bearing balances at depositories	3.18	2.90	2.73	2.66	2.86	2.69	2.68	2.52	2.90	2.52
Non-interest-earning assets	10.94	12.89	13.03	12.62	12.85	13.23	12.95	12.83	13.47	13.54
Revaluation gains held in trading accounts [3]	n.a.	2.95	2.90	2.25	2.59	2.95	2.57	2.29	2.37	2.42
Other	10.94	9.94	10.12	10.38	10.26	10.28	10.38	10.54	11.10	11.12
Liabilities	92.15	92.12	91.99	91.73	91.57	91.51	91.51	91.58	91.24	90.85
Interest-bearing liabilities	73.92	71.86	71.86	71.62	71.36	71.32	72.51	73.30	72.46	71.22
Deposits	60.26	57.34	56.31	55.87	55.01	54.66	54.79	54.67	54.60	53.90
In foreign offices	8.32	9.39	10.28	10.01	10.02	10.15	10.46	10.92	10.18	8.92
In domestic offices	51.94	47.96	46.03	45.86	44.99	44.51	44.33	43.75	44.43	44.98
Other checkable deposits	8.24	7.80	6.63	4.75	3.62	3.11	2.81	2.46	2.36	2.39
Savings (including MMDAs)	20.91	19.60	17.48	18.71	19.12	19.91	21.00	20.64	22.29	24.93
Small-denomination time deposits	16.98	15.33	16.15	15.97	15.17	14.15	13.10	12.49	11.59	10.13
Large-denomination time deposits	5.81	5.23	5.77	6.42	7.08	7.33	7.42	8.16	8.19	7.52
Gross federal funds purchased and RPs	7.47	7.60	7.71	7.18	8.13	7.99	7.97	7.83	7.95	7.77
Other	6.19	6.92	7.85	8.56	8.21	8.68	9.75	10.79	9.90	9.54
Non-interest-bearing liabilities	18.23	20.26	20.13	20.11	20.21	20.18	19.00	18.28	18.78	19.63
Demand deposits in domestic offices	13.86	13.49	12.68	12.82	12.16	11.00	9.78	8.62	8.00	7.66
Revaluation losses held in trading accounts [3]	n.a.	2.69	2.88	2.14	2.64	2.97	2.52	2.29	2.21	2.09
Other	4.37	4.55	4.57	5.14	5.42	6.21	6.70	7.37	8.58	9.88
Capital account	7.85	7.88	8.01	8.27	8.43	8.49	8.49	8.42	8.76	9.15
Memo										
Commercial real estate loans	10.63	9.94	9.83	9.92	9.99	10.12	10.87	11.58	12.08	12.56
Other real estate owned	.63	.36	.19	.14	.11	.08	.06	.05	.05	.06
Managed liabilities	28.28	29.61	32.08	32.73	34.09	34.94	36.58	38.82	37.41	35.05
Average net consolidated assets (billions of dollars)	3,566	3,863	4,148	4,376	4,733	5,144	5,439	5,905	6,333	6,633

A.1.—Continued

A. All banks

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Effective interest rate (percent)[1]									
Rates earned										
Interest-earning assets	7.61	7.61	8.33	8.14	8.15	7.99	7.70	8.23	7.37	6.09
Taxable equivalent	7.71	7.70	8.40	8.22	8.22	8.06	7.76	8.27	7.45	6.18
Loans and leases, gross	8.69	8.62	9.25	9.00	9.01	8.84	8.48	9.01	8.17	6.92
Net of loss provisions	8.08	8.32	8.93	8.56	8.50	8.30	7.97	8.33	7.16	5.88
Securities	6.12	5.97	6.51	6.46	6.54	6.45	6.27	6.48	6.09	4.99
Taxable equivalent	6.36	6.20	6.73	6.66	6.73	6.63	6.46	6.65	6.27	5.15
Investment account	6.11	5.80	6.35	6.39	6.50	6.38	6.25	6.45	6.06	5.05
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.	5.76	4.43
Mortgage-backed securities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.47	5.45
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.59	4.74
Trading account	6.16	7.41	7.73	6.86	6.75	6.85	6.47	6.63	6.34	4.59
Gross federal funds sold and reverse RPs	3.04	4.26	5.63	5.21	5.45	5.29	4.78	5.56	3.87	1.93
Interest-bearing balances at depositories	6.61	5.71	6.84	6.20	6.23	6.32	5.95	6.48	4.01	2.79
Rates paid										
Interest-bearing liabilities	4.01	4.01	4.99	4.82	4.92	4.88	4.47	5.17	4.16	2.55
Interest-bearing deposits	3.65	3.53	4.47	4.34	4.39	4.31	3.87	4.45	3.62	2.12
In foreign offices	6.82	5.59	6.12	5.54	5.44	5.66	4.91	5.61	3.95	2.38
In domestic offices	3.14	3.14	4.11	4.07	4.16	4.01	3.63	4.18	3.55	2.07
Other checkable deposits	1.99	1.85	2.06	2.04	2.25	2.29	2.08	2.34	1.96	1.06
Savings (including MMDAs)	2.50	2.58	3.19	3.00	2.93	2.79	2.49	2.86	2.19	1.13
Large time deposits[5]	4.00	4.09	5.47	5.39	5.45	5.22	4.92	5.78	5.05	3.38
Other time deposits[5]	4.19	4.17	5.44	5.40	5.54	5.48	5.09	5.69	5.44	3.74
Gross federal funds purchased and RPs	3.07	4.18	5.65	5.12	5.17	5.19	4.73	5.77	3.84	1.88
Other interest-bearing liabilities	8.02	7.25	7.47	6.93	6.94	6.89	6.48	6.97	5.93	4.32
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	6.86	6.65	7.29	7.16	7.15	6.98	6.73	7.19	6.40	5.29
Taxable equivalent	6.94	6.73	7.35	7.21	7.20	7.03	6.78	7.23	6.44	5.33
Loans	5.00	4.91	5.48	5.47	5.40	5.27	5.12	5.54	4.93	4.08
Securities	1.37	1.25	1.23	1.16	1.11	1.10	1.14	1.15	1.00	.90
Gross federal funds sold and reverse RPs	.13	.17	.23	.21	.29	.29	.23	.23	.20	.09
Other	.36	.33	.35	.32	.35	.32	.24	.27	.24	.18
Gross interest expense	2.96	2.87	3.57	3.43	3.48	3.46	3.22	3.76	2.98	1.80
Deposits	2.23	2.05	2.54	2.46	2.48	2.43	2.20	2.56	2.09	1.24
Gross federal funds purchased and RPs	.24	.32	.44	.38	.43	.43	.39	.45	.31	.15
Other	.50	.50	.58	.59	.56	.59	.63	.75	.58	.41
Net interest income	3.90	3.78	3.72	3.73	3.67	3.52	3.52	3.43	3.42	3.50
Taxable equivalent	3.98	3.86	3.79	3.78	3.72	3.57	3.57	3.47	3.46	3.54
Loss provisioning[6]	.47	.28	.30	.37	.41	.41	.39	.50	.68	.68
Non-interest income	2.13	2.00	2.02	2.18	2.23	2.40	2.65	2.58	2.51	2.53
Service charges on deposits	.42	.40	.39	.39	.39	.38	.40	.40	.42	.45
Fiduciary activities	.31	.31	.31	.33	.35	.37	.38	.38	.35	.33
Trading revenue	.26	.16	.15	.17	.17	.15	.19	.21	.20	.16
Interest rate exposures	n.a.	n.a.	n.a.	.09	.08	.05	.07	.08	.10	.08
Foreign exchange rate exposures	n.a.	n.a.	n.a.	.06	.08	.09	.09	.09	.07	.07
Other commodity and equity exposures	n.a.	n.a.	n.a.	.02	*	.01	.03	.04	.03	.01
Other	1.14	1.13	1.17	1.29	1.32	1.49	1.69	1.59	1.55	1.59
Non-interest expense	3.94	3.75	3.64	3.71	3.61	3.77	3.76	3.65	3.56	3.46
Salaries, wages, and employee benefits	1.64	1.58	1.54	1.55	1.53	1.55	1.58	1.51	1.49	1.52
Occupancy	.52	.49	.48	.48	.47	.47	.48	.45	.44	.44
Other	1.78	1.68	1.62	1.69	1.62	1.75	1.70	1.69	1.63	1.50
Net non-interest expense	1.81	1.75	1.62	1.53	1.38	1.37	1.11	1.07	1.04	.93
Gains on investment account securities	.09	.01	.01	.03	.04	.06	*	−.04	.07	.10
Income before taxes and extraordinary items	1.70	1.73	1.81	1.85	1.92	1.80	2.02	1.81	1.77	1.98
Taxes	.56	.58	.63	.65	.68	.62	.72	.63	.59	.65
Extraordinary items, net of income taxes	.06	*	*	*	*	.01	*	*	−.01	*
Net income	1.20	1.15	1.18	1.20	1.25	1.19	1.31	1.18	1.17	1.33
Cash dividends declared	.62	.73	.75	.90	.90	.80	.96	.89	.87	1.01
Retained income	.58	.42	.43	.30	.35	.39	.35	.29	.30	.31
MEMO: Return on equity	15.32	14.63	14.69	14.53	14.84	14.06	15.40	13.96	13.39	14.51

* 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. Before 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, 1993–2002

B. Ten largest banks by assets

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	84.90	77.26	77.12	80.12	81.84	81.25	81.49	82.23	81.74	81.68
Loans and leases, net	55.57	49.91	50.05	53.51	50.91	50.76	53.37	55.22	53.86	53.60
Commercial and industrial	18.65	16.43	16.16	17.17	16.90	18.07	19.20	19.87	18.82	16.16
U.S. addressees	10.75	9.16	8.66	9.59	10.24	11.76	13.14	13.95	13.42	11.70
Foreign addressees	7.90	7.27	7.50	7.59	6.66	6.31	6.06	5.92	5.41	4.47
Consumer	7.33	6.59	6.60	6.22	6.40	6.04	5.94	5.43	6.17	7.82
Credit card	2.50	2.28	1.96	1.23	1.34	1.30	1.36	1.34	1.64	2.90
Installment and other	4.83	4.31	4.65	4.99	5.06	4.74	4.58	4.09	4.53	4.92
Real estate	18.54	16.21	15.82	16.53	17.42	16.51	16.96	19.82	19.23	20.78
In domestic offices	15.99	13.80	13.48	14.44	15.69	15.08	15.55	18.48	18.05	19.70
Construction and land development	1.59	.84	.58	.51	.68	.77	.90	.98	1.27	1.42
Farmland	.07	.06	.06	.06	.09	.09	.10	.11	.11	.12
One- to four-family residential	10.29	9.69	9.62	10.43	11.02	10.33	10.77	13.37	12.41	13.51
Home equity	1.60	1.40	1.40	1.53	1.70	1.72	1.54	1.61	1.78	2.35
Other	8.68	8.29	8.22	8.90	9.31	8.61	9.22	11.76	10.63	11.17
Multifamily residential	.53	.41	.38	.38	.39	.38	.43	.60	.51	.55
Nonfarm nonresidential	3.51	2.79	2.83	3.05	3.52	3.51	3.35	3.42	3.76	4.09
In foreign offices	2.55	2.41	2.35	2.09	1.73	1.43	1.41	1.34	1.18	1.08
To depository institutions and acceptances of other banks	2.47	3.49	5.04	6.14	4.20	4.05	4.34	3.78	3.23	3.20
Foreign governments	2.46	1.27	.90	.69	.45	.35	.38	.28	.20	.20
Agricultural production	.27	.25	.21	.23	.31	.28	.26	.23	.28	.23
Other loans	6.71	6.32	5.76	6.34	4.15	3.74	3.96	3.75	3.51	2.94
Lease-financing receivables	1.30	1.14	1.14	1.59	2.24	2.81	3.40	3.07	3.43	3.44
LESS: Unearned income on loans	−.21	−.16	−.14	−.11	−.07	−.06	−.05	−.04	−.04	−.08
LESS: Loss reserves[1]	−1.94	−1.63	−1.45	−1.30	−1.08	−1.01	−1.03	−.97	−.97	−1.12
Securities	22.74	20.61	19.53	19.83	20.00	19.72	18.34	18.98	17.81	20.54
Investment account	12.45	11.68	10.65	10.60	10.97	12.12	13.08	13.71	12.14	14.36
Debt	12.45	10.10	9.03	8.94	9.42	10.58	11.38	11.97	11.30	13.62
U.S. Treasury	n.a.	2.06	2.03	1.93	1.56	1.70	1.98	1.96	.68	.59
U.S. government agency and corporation obligations	n.a.	5.08	4.46	4.59	5.34	6.31	6.35	6.59	6.84	8.68
Government-backed mortgage pools	n.a.	2.79	2.89	3.58	4.26	5.13	5.03	4.88	4.99	6.38
Collateralized mortgage obligations	n.a.	2.22	1.50	.95	.93	.93	.79	.93	1.11	1.52
Other	n.a.	.06	.08	.06	.15	.26	.52	.78	.74	.79
State and local government	n.a.	.61	.49	.39	.51	.47	.45	.51	.55	.59
Private mortgage-backed securities	n.a.	.43	.32	.30	.32	.60	.57	.51	.58	.93
Other	n.a.	3.03	2.97	3.01	2.81	2.57	3.22	3.47	3.22	3.34
Equity[2]	n.a.	.39	.38	.38	.42	.47	.51	.68	.26	.22
Trading account	10.30	8.93	8.88	9.23	9.03	7.60	5.25	5.26	5.67	6.18
Gross federal funds sold and reverse RPs	2.71	2.68	3.20	3.10	7.56	7.81	6.64	5.02	6.38	5.26
Interest-bearing balances at depositories	3.88	4.05	4.34	3.68	3.37	2.96	3.14	3.01	3.69	2.28
Non-interest-earning assets	15.10	22.74	22.88	19.88	18.16	18.75	18.51	17.77	18.26	18.32
Revaluation gains held in trading accounts[3]	n.a.	11.23	10.77	7.63	7.36	7.62	6.66	5.66	5.47	5.40
Other	15.10	11.51	12.11	12.25	10.80	11.13	11.85	12.11	12.78	12.93
Liabilities	93.24	93.42	93.59	93.04	92.61	92.58	92.28	92.36	92.14	91.52
Interest-bearing liabilities	71.56	64.33	63.37	64.45	65.83	65.81	66.87	67.81	66.76	65.43
Deposits	52.91	48.20	47.49	47.87	47.36	47.65	48.79	49.27	49.09	48.97
In foreign offices	25.51	26.10	28.36	26.41	22.18	20.17	21.04	21.62	19.22	16.26
In domestic offices	27.41	22.10	19.12	21.46	25.18	27.48	27.76	27.66	29.88	32.71
Other checkable deposits	3.45	2.91	2.30	1.61	1.21	.99	.72	.74	.90	.95
Savings (including MMDAs)	15.33	12.70	10.56	12.31	14.26	15.83	16.84	16.73	19.24	22.82
Small-denomination time deposits	5.09	3.98	4.04	4.68	5.82	6.03	5.66	5.38	5.11	4.72
Large-denomination time deposits	3.53	2.51	2.23	2.86	3.89	4.62	4.54	4.80	4.63	4.22
Gross federal funds purchased and RPs	6.70	5.83	6.17	5.88	10.26	9.78	8.84	8.89	9.04	8.83
Other	11.94	10.29	9.71	10.69	8.20	8.37	9.24	9.65	8.62	7.63
Non-interest-bearing liabilities	21.68	29.09	30.22	28.59	26.78	26.77	25.41	24.56	25.38	26.09
Demand deposits in domestic offices	11.27	10.15	8.88	9.73	8.98	8.46	7.83	7.28	7.50	7.40
Revaluation losses held in trading accounts[3]	n.a.	10.22	10.68	7.27	7.53	7.67	6.51	5.69	5.10	4.63
Other	10.41	10.51	10.66	11.59	10.27	10.65	11.06	11.59	12.78	14.07
Capital account	6.76	6.58	6.41	6.96	7.39	7.42	7.72	7.64	7.86	8.48
MEMO										
Commercial real estate loans	6.46	4.65	4.40	4.65	5.45	5.61	5.69	5.87	6.68	6.92
Other real estate owned	1.02	.58	.27	.18	.13	.09	.06	.04	.04	.03
Managed liabilities	49.23	46.21	47.94	47.39	46.02	44.42	45.49	46.84	43.41	38.89
Average net consolidated assets (billions of dollars)	818	949	1,051	1,189	1,514	1,820	1,935	2,234	2,527	2,785

A.1.—Continued

B. Ten largest banks by assets

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Effective interest rate (percent)[1]									
Rates earned										
Interest-earning assets	8.16	8.15	8.20	7.72	7.55	7.54	7.35	7.77	6.83	5.81
Taxable equivalent	8.20	8.18	8.22	7.74	7.60	7.57	7.39	7.78	6.90	5.89
Loans and leases, gross	9.07	8.89	8.84	8.32	8.25	8.21	7.99	8.46	7.52	6.54
Net of loss provisions	8.23	8.66	8.88	8.31	8.10	7.77	7.65	7.92	6.56	5.32
Securities	6.68	7.09	7.40	6.80	6.78	6.83	6.58	6.48	6.36	5.14
Taxable equivalent	6.77	7.19	7.47	6.85	6.85	6.89	6.65	6.55	6.44	5.21
Investment account	6.88	6.57	7.04	6.70	6.76	6.78	6.59	6.40	6.23	5.30
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.	5.02	3.74
Mortgage-backed securities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.42	5.55
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.34	5.30
Trading account	6.45	7.79	7.83	6.90	6.81	6.92	6.56	6.70	6.66	4.75
Gross federal funds sold and reverse RPs	3.02	4.52	5.20	4.92	5.45	5.20	4.52	4.93	3.86	2.20
Interest-bearing balances at depositories	8.34	7.27	7.15	6.71	6.91	7.16	7.22	7.43	3.73	3.40
Rates paid										
Interest-bearing liabilities	5.60	5.43	5.88	5.44	5.41	5.29	4.79	5.37	4.09	2.55
Interest-bearing deposits	4.50	4.32	4.99	4.57	4.54	4.40	3.82	4.40	3.27	1.95
In foreign offices	6.87	6.04	6.07	5.62	5.52	5.83	4.99	5.67	4.02	2.59
In domestic offices	2.36	2.35	3.42	3.32	3.69	3.39	3.04	3.51	2.85	1.68
Other checkable deposits	1.28	1.10	1.29	1.32	1.97	1.67	1.44	1.61	1.67	.93
Savings (including MMDAs)	2.14	2.35	3.11	2.76	2.68	2.45	2.11	2.43	1.92	1.02
Large time deposits[5]	3.55	3.12	3.73	4.62	5.17	4.53	4.36	5.32	4.40	3.26
Other time deposits[5]	3.01	2.80	5.08	4.58	5.45	5.21	4.95	5.53	5.15	3.55
Gross federal funds purchased and RPs	3.26	4.05	5.22	4.93	5.02	5.18	4.53	5.47	3.81	2.02
Other interest-bearing liabilities	11.16	10.87	9.80	8.86	9.13	8.85	8.61	8.15	7.00	5.39
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	7.22	6.37	6.42	6.26	6.31	6.21	6.01	6.39	5.56	4.78
Taxable equivalent	7.25	6.40	6.43	6.27	6.33	6.22	6.03	6.41	5.58	4.80
Loans	5.22	4.49	4.44	4.48	4.31	4.27	4.35	4.74	4.14	3.58
Securities	.86	.77	.75	.71	.73	.81	.85	.88	.72	.73
Gross federal funds sold and reverse RPs	.11	.15	.21	.18	.45	.42	.30	.25	.25	.12
Other	1.04	.97	1.00	.88	.82	.70	.51	.51	.43	.34
Gross interest expense	4.06	3.52	3.74	3.52	3.55	3.48	3.16	3.60	2.69	1.65
Deposits	2.48	2.15	2.43	2.26	2.26	2.20	1.97	2.33	1.74	1.06
Gross federal funds purchased and RPs	.24	.24	.35	.31	.54	.54	.40	.49	.35	.18
Other	1.35	1.13	.95	.95	.75	.74	.79	.78	.59	.41
Net interest income	3.16	2.86	2.68	2.73	2.76	2.73	2.84	2.78	2.87	3.13
Taxable equivalent	3.19	2.88	2.70	2.75	2.79	2.75	2.86	2.80	2.89	3.15
Loss provisioning[6]	.64	.26	.11	.11	.16	.31	.26	.38	.59	.73
Non-interest income	2.99	2.33	2.16	2.34	2.12	2.15	2.55	2.54	2.23	2.32
Service charges on deposits	.30	.26	.25	.28	.32	.33	.37	.40	.44	.48
Fiduciary activities	.39	.36	.30	.31	.34	.32	.31	.27	.29	.26
Trading revenue	.91	.53	.46	.52	.43	.33	.46	.48	.43	.32
Interest rate exposures	n.a.	n.a.	n.a.	.30	.23	.10	.17	.20	.21	.15
Foreign exchange rate exposures	n.a.	n.a.	n.a.	.17	.20	.20	.19	.18	.14	.14
Other commodity and equity exposures	n.a.	n.a.	n.a.	.05	*	.03	.09	.11	.08	.03
Other	1.38	1.18	1.15	1.23	1.04	1.17	1.41	1.39	1.07	1.26
Non-interest expense	4.13	3.56	3.32	3.57	3.24	3.47	3.45	3.31	3.13	3.15
Salaries, wages, and employee benefits	1.88	1.65	1.58	1.57	1.45	1.45	1.57	1.46	1.38	1.41
Occupancy	.66	.55	.50	.50	.47	.47	.50	.47	.45	.46
Other	1.59	1.36	1.24	1.50	1.33	1.54	1.38	1.39	1.30	1.28
Net non-interest expense	1.14	1.23	1.16	1.23	1.12	1.32	.90	.77	.90	.84
Gains on investment account securities	.13	.02	.03	.04	.08	.11	.03	−.03	.08	.13
Income before taxes and extraordinary items	1.50	1.39	1.44	1.44	1.56	1.22	1.71	1.60	1.46	1.69
Taxes	.53	.48	.55	.52	.58	.44	.66	.60	.48	.57
Extraordinary items, net of income taxes	.16	*	*	*	*	*	*	*	−.01	*
Net income	1.13	.91	.88	.92	.98	.78	1.05	1.00	.97	1.12
Cash dividends declared	.28	.58	.57	.70	.82	.53	.79	.86	.67	1.05
Retained income	.85	.33	.31	.21	.15	.25	.26	.13	.31	.07
MEMO: Return on equity	16.75	13.86	13.78	13.21	13.22	10.53	13.58	13.04	12.38	13.24

* 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. Before 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, 1993–2002

C. Banks ranked 11 through 100 by assets

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	88.81	88.58	88.71	88.26	87.50	87.91	88.47	88.78	88.22	88.48
Loans and leases, net	57.33	58.56	62.68	64.24	63.89	64.42	64.28	64.97	62.27	60.13
Commercial and industrial	18.03	18.03	19.26	18.95	19.01	18.92	19.40	18.20	15.85	13.29
U.S. addressees	17.05	16.99	18.10	17.71	17.78	17.59	18.18	17.65	15.37	12.96
Foreign addressees	.98	1.04	1.16	1.24	1.22	1.33	1.22	.55	.48	.33
Consumer	11.47	12.62	14.23	15.67	15.62	14.53	13.57	13.80	13.20	12.79
Credit card	5.23	5.99	7.34	8.26	8.50	7.67	6.78	6.98	6.97	6.57
Installment and other	6.24	6.63	6.89	7.40	7.12	6.86	6.79	6.82	6.23	6.22
Real estate	22.11	22.26	23.25	23.26	22.99	24.60	24.81	26.23	27.31	28.96
In domestic offices	22.01	22.17	23.10	23.10	22.85	24.42	24.63	26.13	27.22	28.90
Construction and land development	2.08	1.63	1.50	1.55	1.69	2.03	2.43	3.00	3.31	3.36
Farmland	.13	.14	.13	.13	.14	.17	.19	.22	.23	.22
One- to four-family residential	12.30	12.98	14.16	14.15	13.88	14.86	14.15	14.52	15.52	17.06
Home equity	2.54	2.33	2.19	2.08	2.22	2.17	2.08	2.49	2.90	3.89
Other	9.76	10.65	11.97	12.07	11.65	12.69	12.07	12.03	12.61	13.17
Multifamily residential	.71	.71	.77	.89	.93	1.00	1.02	1.11	1.16	1.20
Nonfarm nonresidential	6.79	6.72	6.54	6.37	6.21	6.36	6.82	7.28	7.00	7.05
In foreign offices	.10	.09	.15	.16	.15	.18	.19	.09	.09	.06
To depository institutions and acceptances of other banks	1.34	1.52	1.61	1.53	1.30	1.09	.93	1.05	1.40	1.44
Foreign governments	.30	.28	.20	.20	.09	.06	.06	.03	.03	.02
Agricultural production	.29	.29	.26	.28	.29	.33	.33	.37	.32	.27
Other loans	4.01	3.45	3.29	3.27	3.18	3.35	2.99	2.57	2.03	1.79
Lease-financing receivables	1.47	1.60	1.96	2.41	2.70	2.75	3.32	3.87	3.28	2.75
LESS: Unearned income on loans	−.11	−.07	−.07	−.06	−.05	−.04	−.04	−.03	−.02	−.02
LESS: Loss reserves[1]	−1.60	−1.41	−1.32	−1.27	−1.24	−1.16	−1.11	−1.12	−1.13	−1.17
Securities	21.97	21.19	18.64	16.87	15.80	16.67	17.80	17.33	19.01	20.30
Investment account	20.60	19.82	17.88	16.06	15.07	16.13	17.29	16.11	17.71	19.16
Debt	20.60	18.57	16.60	14.70	13.61	14.52	15.53	14.19	16.72	18.20
U.S. Treasury	n.a.	6.86	4.82	3.34	2.81	2.25	1.70	1.12	.67	.74
U.S. government agency and corporation obligations	n.a.	9.38	9.40	9.12	8.98	9.93	10.58	9.71	10.09	11.45
Government-backed mortgage pools	n.a.	5.40	5.06	5.42	5.17	4.98	5.12	4.31	5.19	6.00
Collateralized mortgage obligations	n.a.	3.04	2.82	2.16	2.13	2.83	2.89	2.55	2.42	2.79
Other	n.a.	.94	1.51	1.54	1.68	2.12	2.56	2.84	2.48	2.65
State and local government	n.a.	1.20	1.11	.99	.88	.92	.99	.96	.99	.97
Private mortgage-backed securities	n.a.	.95	1.02	.96	.73	.96	1.35	1.66	2.01	2.13
Other	n.a.	1.22	1.16	1.21	1.18	1.53	2.02	2.06	3.56	3.53
Equity[2]	n.a.	.32	.37	.44	.49	.55	.65	.60	.39	.34
Trading account	1.37	1.38	.76	.80	.73	.54	.51	1.22	1.30	1.14
Gross federal funds sold and reverse RPs	4.98	5.11	4.52	4.26	4.38	3.57	3.34	3.76	4.07	4.71
Interest-bearing balances at depositories	4.53	3.72	2.87	2.89	3.43	3.24	3.06	2.71	2.88	3.33
Non-interest-earning assets	11.19	11.42	11.29	11.74	12.50	12.09	11.53	11.22	11.78	11.52
Revaluation gains held in trading accounts[3]	n.a.	.60	.50	.51	.69	.75	.57	.41	.55	.47
Other	11.19	10.81	10.78	11.23	11.81	11.34	10.96	10.81	11.23	11.05
Liabilities	92.56	92.47	92.23	92.02	91.85	91.63	91.65	91.56	91.14	90.77
Interest-bearing liabilities	73.38	72.86	74.05	73.14	72.60	73.40	74.95	76.44	75.96	74.75
Deposits	54.22	53.03	52.32	51.81	51.45	51.51	51.51	51.60	51.97	50.57
In foreign offices	6.78	8.05	8.12	7.52	7.85	8.15	7.97	7.35	6.86	6.10
In domestic offices	47.43	44.98	44.20	44.30	43.60	43.36	43.55	44.26	45.11	44.47
Other checkable deposits	7.21	6.91	5.62	3.06	1.95	1.75	1.60	1.32	1.20	1.17
Savings (including MMDAs)	20.60	20.13	18.78	20.76	21.08	21.41	22.47	22.35	24.37	26.50
Small-denomination time deposits	14.19	13.26	14.24	14.09	13.43	12.84	11.86	11.80	10.67	8.78
Large-denomination time deposits	5.44	4.68	5.55	6.39	7.15	7.36	7.62	8.78	8.87	8.02
Gross federal funds purchased and RPs	11.93	11.48	11.37	10.00	9.36	9.48	9.78	9.28	9.72	9.67
Other	7.23	8.34	10.36	11.32	11.79	12.41	13.67	15.56	14.27	14.51
Non-interest-bearing liabilities	19.18	19.62	18.18	18.89	19.24	18.23	16.70	15.12	15.18	16.02
Demand deposits in domestic offices	15.38	15.27	14.26	14.47	14.17	12.40	10.52	8.62	7.17	6.31
Revaluation losses held in trading accounts[3]	n.a.	.57	.49	.49	.68	.76	.58	.41	.52	.44
Other	3.80	3.89	3.43	3.93	4.39	5.07	5.59	6.09	7.49	9.27
Capital account	7.44	7.53	7.77	7.98	8.15	8.37	8.35	8.44	8.86	9.23
MEMO										
Commercial real estate loans	10.29	9.69	9.42	9.38	9.44	10.11	11.00	12.07	12.06	12.23
Other real estate owned	.47	.25	.13	.08	.06	.04	.03	.03	.04	.05
Managed liabilities	31.76	32.89	35.68	35.60	36.60	38.09	39.81	41.94	40.78	39.48
Average net consolidated assets (billions of dollars)	1,082	1,204	1,338	1,450	1,604	1,745	1,880	2,030	2,129	2,123

A.1.—Continued

C. Banks ranked 11 through 100 by assets

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Effective interest rate (percent)[1]									
Rates earned										
Interest-earning assets	7.35	7.29	8.31	8.16	8.31	8.10	7.84	8.47	7.54	6.01
Taxable equivalent	7.45	7.37	8.37	8.23	8.36	8.17	7.88	8.49	7.59	6.09
Loans and leases, gross	8.25	8.22	9.10	8.88	9.03	8.82	8.50	9.15	8.27	6.81
Net of loss provisions	7.66	7.87	8.67	8.21	8.27	8.15	7.81	8.27	6.97	5.61
Securities	6.13	5.75	6.38	6.49	6.55	6.31	6.32	6.64	5.94	4.78
Taxable equivalent	6.32	5.92	6.56	6.66	6.70	6.46	6.46	6.77	6.07	4.90
Investment account	6.22	5.75	6.35	6.49	6.57	6.33	6.34	6.66	6.02	4.85
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.	5.83	4.28
Mortgage-backed securities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.58	5.33
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.10	4.20
Trading account	4.74	5.75	7.27	6.53	6.05	5.86	5.58	6.25	4.83	3.59
Gross federal funds sold and reverse RPs	3.11	4.31	5.91	5.31	5.45	5.46	5.12	6.06	3.85	1.68
Interest-bearing balances at depositories	6.50	4.69	6.78	5.82	5.76	5.67	4.81	5.49	4.38	2.46
Rates paid										
Interest-bearing liabilities	3.76	3.72	4.94	4.70	4.79	4.76	4.38	5.22	4.15	2.40
Interest-bearing deposits	3.51	3.25	4.35	4.15	4.22	4.15	3.76	4.42	3.60	1.96
In foreign offices	7.37	4.60	6.30	5.29	5.23	5.22	4.70	5.38	3.67	1.70
In domestic offices	2.98	3.03	4.01	3.96	4.04	3.96	3.60	4.26	3.60	1.99
Other checkable deposits	1.70	1.62	1.89	1.78	2.01	2.41	2.03	2.57	2.32	.94
Savings (including MMDAs)	2.33	2.46	3.10	2.91	2.84	2.76	2.49	2.94	2.30	1.08
Large time deposits[5]	4.30	4.21	5.70	5.50	5.47	5.32	4.96	5.88	5.11	3.37
Other time deposits[5]	4.06	4.18	5.35	5.26	5.43	5.35	5.03	5.73	5.42	3.67
Gross federal funds purchased and RPs	3.04	4.28	5.86	5.19	5.29	5.22	4.87	6.02	3.86	1.73
Other interest-bearing liabilities	5.97	5.24	6.43	5.95	5.85	5.81	5.41	6.36	5.30	3.53
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	6.58	6.46	7.40	7.24	7.26	7.16	6.99	7.56	6.72	5.33
Taxable equivalent	6.64	6.51	7.45	7.28	7.30	7.20	7.02	7.59	6.75	5.36
Loans	4.84	4.91	5.79	5.80	5.87	5.79	5.57	6.07	5.30	4.17
Securities	1.26	1.13	1.13	1.03	.98	1.00	1.10	1.09	1.06	.90
Gross federal funds sold and reverse RPs	.15	.21	.27	.23	.22	.19	.18	.22	.15	.08
Other	.32	.21	.21	.18	.19	.18	.14	.18	.15	.11
Gross interest expense	2.74	2.67	3.62	3.39	3.41	3.45	3.26	3.96	3.14	1.77
Deposits	1.93	1.73	2.29	2.18	2.23	2.23	2.02	2.41	2.01	1.09
Gross federal funds purchased and RPs	.38	.51	.67	.55	.51	.51	.51	.56	.38	.17
Other	.43	.43	.66	.66	.68	.71	.73	.98	.75	.50
Net interest income	3.84	3.79	3.78	3.84	3.85	3.71	3.72	3.60	3.58	3.56
Taxable equivalent	3.91	3.85	3.84	3.89	3.89	3.75	3.76	3.63	3.61	3.60
Loss provisioning[6]	.47	.32	.39	.54	.60	.53	.54	.68	.91	.80
Non-interest income	2.29	2.25	2.38	2.61	2.76	3.07	3.35	3.14	3.30	3.26
Service charges on deposits	.46	.45	.44	.44	.44	.42	.42	.42	.42	.42
Fiduciary activities	.38	.39	.40	.43	.44	.49	.48	.52	.42	.42
Trading income	.14	.08	.09	.08	.08	.09	.08	.08	.08	.08
Interest rate exposures	n.a.	n.a.	n.a.	.03	.02	.03	.02	.02	.04	.04
Foreign exchange rate exposures	n.a.	n.a.	n.a.	.04	.05	.06	.06	.05	.03	.04
Other commodity and equity exposures	n.a.	n.a.	n.a.	.01	*	*	*	*	*	*
Other	1.32	1.33	1.45	1.67	1.79	2.07	2.37	2.13	2.38	2.33
Non-interest expense	3.95	3.86	3.79	3.85	3.85	4.03	4.11	3.97	3.91	3.69
Salaries, wages, and employee benefits	1.52	1.50	1.47	1.51	1.51	1.53	1.53	1.44	1.47	1.49
Occupancy	.47	.47	.47	.48	.46	.46	.45	.43	.42	.40
Other	1.95	1.89	1.85	1.86	1.88	2.04	2.13	2.10	2.03	1.79
Net non-interest expense	1.65	1.61	1.41	1.24	1.10	.96	.76	.83	.61	.43
Gains on investment account securities	.09	−.01	.02	.02	.02	.03	−.01	−.05	.09	.10
Income before taxes and extraordinary items	1.81	1.85	2.01	2.09	2.18	2.24	2.41	2.04	2.15	2.43
Taxes	.56	.63	.70	.75	.77	.79	.87	.70	.74	.83
Extraordinary items, net of income taxes	*	*	*	*	*	*	*	*	*	*
Net income	1.25	1.22	1.31	1.34	1.42	1.46	1.54	1.33	1.40	1.60
Cash dividends declared	.76	.86	.85	1.07	.93	.96	1.16	.94	.96	.99
Retained income	.49	.36	.46	.26	.48	.50	.38	.39	.44	.61
MEMO: Return on equity	16.86	16.27	16.84	16.78	17.36	17.38	18.48	15.79	15.80	17.38

* 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. Before 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, 1993–2002

D. Banks ranked 101 through 1,000 by assets

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	90.45	90.90	90.97	91.10	91.32	91.36	91.68	91.50	91.16	91.37
Loans and leases, net	57.93	59.75	62.19	62.63	62.22	61.13	61.49	62.15	62.48	61.48
Commercial and industrial	12.19	12.07	12.70	12.79	12.43	12.48	12.64	12.95	13.04	12.38
U.S. addressees	12.03	11.91	12.54	12.61	12.19	12.16	12.32	12.60	12.65	12.07
Foreign addressees	.16	.16	.16	.18	.23	.32	.32	.36	.39	.31
Consumer	14.82	15.84	16.27	15.88	14.03	12.28	10.79	10.19	9.76	8.14
Credit card	5.63	6.05	6.32	6.66	5.52	4.48	3.37	3.27	3.61	2.66
Installment and other	9.19	9.79	9.95	9.22	8.52	7.80	7.41	6.92	6.14	5.48
Real estate	28.61	29.42	30.81	31.37	33.23	33.94	35.90	36.93	37.65	38.92
In domestic offices	28.58	29.39	30.79	31.34	33.21	33.92	35.88	36.91	37.63	38.90
Construction and land development	2.26	2.08	2.21	2.38	2.69	2.88	3.49	4.15	4.90	5.40
Farmland	.34	.36	.40	.46	.53	.56	.58	.65	.67	.73
One- to four-family residential	15.16	16.25	17.49	17.34	18.14	18.19	18.26	17.17	16.19	15.39
Home equity	2.51	2.33	2.36	2.30	2.30	2.15	1.99	2.10	2.20	2.51
Other	12.66	13.92	15.13	15.03	15.84	16.05	16.27	15.06	13.98	12.88
Multifamily residential	1.07	1.13	1.21	1.29	1.29	1.26	1.44	1.58	1.69	1.83
Nonfarm nonresidential	9.75	9.57	9.48	9.87	10.56	11.03	12.12	13.36	14.18	15.55
In foreign offices	.02	.03	.02	.02	.02	.02	.02	.02	.02	.03
To depository institutions and acceptances of other banks	.47	.42	.36	.50	.59	.53	.46	.37	.38	.37
Foreign governments	.03	.02	.02	.02	.02	.03	.03	.03	.03	.02
Agricultural production	.56	.62	.69	.71	.74	.80	.78	.82	.85	.86
Other loans	2.13	1.98	1.78	1.68	1.47	1.30	1.25	1.22	1.22	1.18
Lease-financing receivables	.77	.83	.90	1.01	.99	.99	.78	.75	.74	.76
LESS: Unearned income on loans	−.21	−.15	−.12	−.10	−.10	−.09	−.08	−.08	−.07	−.06
LESS: Loss reserves [1]	−1.44	−1.30	−1.22	−1.22	−1.18	−1.13	−1.06	−1.04	−1.12	−1.10
Securities	25.92	25.72	23.08	22.67	23.45	24.26	25.17	24.34	22.80	23.86
Investment account	25.63	25.40	22.88	22.55	23.35	24.15	25.09	24.25	22.69	23.80
Debt	25.63	23.94	21.32	20.71	20.92	21.15	21.70	20.30	20.57	21.80
U.S. Treasury	n.a.	8.17	6.48	5.61	4.96	3.92	2.53	1.81	1.32	1.22
U.S. government agency and corporation obligations	n.a.	12.76	12.23	12.66	13.97	15.13	16.29	15.56	14.69	15.87
Government-backed mortgage pools	n.a.	5.64	5.42	5.69	6.22	6.46	6.72	6.22	6.26	6.57
Collateralized mortgage obligations	n.a.	4.34	3.56	3.12	3.01	3.22	3.52	3.04	3.08	3.70
Other	n.a.	2.79	3.25	3.85	4.73	5.44	6.05	6.30	5.35	5.60
State and local government	n.a.	2.29	2.13	2.24	2.44	2.70	2.91	2.91	2.90	2.89
Private mortgage-backed securities	n.a.	.73	.68	.76	.59	.65	1.00	.99	.93	.99
Other	n.a.	.99	.89	.76	.78	1.06	1.60	2.19	2.42	2.33
Equity [2]	n.a.	.43	.47	.52	.61	.69	.77	.79	.43	.50
Trading account	.28	.31	.20	.12	.10	.11	.08	.09	.11	.06
Gross federal funds sold and reverse RPs	4.49	3.64	3.92	3.87	3.60	4.17	3.35	3.40	4.19	4.14
Interest-bearing balances at depositories	2.11	1.79	1.78	1.93	2.05	1.80	1.68	1.60	1.68	1.89
Non-interest-earning assets	9.55	9.10	9.03	8.90	8.68	8.64	8.32	8.50	8.84	8.63
Revaluation gains held in trading accounts [3]	n.a.	.02	.05	.02	*	*	.01	.02	.01	.01
Other	9.55	9.08	8.99	8.88	8.68	8.63	8.31	8.49	8.84	8.63
Liabilities	91.85	91.62	91.36	91.06	90.78	90.55	90.90	90.95	90.32	89.94
Interest-bearing liabilities	74.42	74.77	75.00	75.06	75.19	75.42	76.76	77.43	77.01	76.35
Deposits	63.05	60.38	59.67	59.98	61.47	62.40	61.94	62.68	63.11	62.82
In foreign offices	1.43	1.69	1.71	1.33	1.23	1.31	1.20	1.28	1.24	.88
In domestic offices	61.62	58.69	57.96	58.65	60.25	61.09	60.74	61.40	61.87	61.94
Other checkable deposits	9.94	9.70	8.54	6.21	4.96	4.23	3.75	3.32	3.26	3.32
Savings (including MMDAs)	24.06	22.92	20.75	22.49	23.59	25.65	27.35	27.03	27.67	30.17
Small-denomination time deposits	20.78	19.29	21.11	21.61	22.03	21.22	19.61	19.44	18.80	16.83
Large-denomination time deposits	6.84	6.78	7.56	8.34	9.66	9.99	10.03	11.61	12.14	11.62
Gross federal funds purchased and RPs	7.43	8.45	8.31	8.19	7.09	6.16	6.90	6.30	5.76	5.28
Other	3.94	5.94	7.02	6.88	6.62	6.86	7.92	8.45	8.14	8.25
Non-interest-bearing liabilities	17.43	16.85	16.36	16.00	15.60	15.13	14.15	13.52	13.31	13.58
Demand deposits in domestic offices	15.07	14.58	14.07	13.84	13.15	11.90	10.19	8.97	8.23	8.05
Revaluation losses held in trading accounts [3]	n.a.	.02	.05	.02	.01	.01	.01	*	.01	.01
Other	2.36	2.26	2.24	2.14	2.44	3.22	3.95	4.55	5.07	5.52
Capital account	8.15	8.38	8.64	8.94	9.22	9.45	9.10	9.05	9.68	10.06
MEMO										
Commercial real estate loans	13.37	13.05	13.19	13.83	14.77	15.38	17.28	19.32	21.03	23.06
Other real estate owned	.57	.28	.17	.13	.11	.09	.08	.07	.08	.10
Managed liabilities	19.68	22.89	24.62	24.78	24.66	24.46	26.32	28.01	27.75	26.57
Average net consolidated assets (billions of dollars)	978	1,031	1,092	1,075	968	935	972	987	1,002	1,022

A.1.—Continued

D. Banks ranked 101 through 1,000 by assets

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Effective interest rate (percent)[1]									
Rates earned										
Interest-earning assets	7.43	7.58	8.44	8.41	8.49	8.32	7.83	8.51	7.83	6.43
Taxable equivalent	7.55	7.68	8.53	8.50	8.59	8.44	7.92	8.58	7.95	6.55
Loans and leases, gross	8.57	8.64	9.45	9.38	9.48	9.37	8.74	9.44	8.76	7.36
Net of loss provisions	7.96	8.28	8.95	8.76	8.76	8.76	8.26	8.74	7.88	6.61
Securities	5.83	5.68	6.24	6.34	6.43	6.31	6.03	6.46	5.97	4.98
Taxable equivalent	6.10	5.93	6.50	6.60	6.69	6.57	6.29	6.71	6.25	5.24
Investment account	5.84	5.68	6.24	6.34	6.43	6.30	6.03	6.45	5.97	4.98
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.	5.85	4.55
Mortgage-backed securities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.33	5.48
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.40	4.53
Trading account	4.74	5.29	5.55	5.94	6.37	6.84	7.33	9.30	6.60	3.79
Gross federal funds sold and reverse RPs	3.02	4.05	5.45	5.29	5.42	5.31	4.98	6.16	3.92	1.75
Interest-bearing balances at depositories	3.52	4.28	6.07	5.69	5.44	5.76	5.07	5.77	3.94	1.79
Rates paid										
Interest-bearing liabilities	3.33	3.57	4.65	4.58	4.66	4.60	4.19	4.93	4.11	2.56
Interest-bearing deposits	3.26	3.31	4.26	4.27	4.34	4.28	3.84	4.46	3.82	2.29
In foreign offices	3.35	4.31	5.94	5.72	5.42	5.55	5.07	6.13	4.45	2.14
In domestic offices	3.26	3.28	4.21	4.23	4.32	4.25	3.82	4.43	3.81	2.30
Other checkable deposits	2.02	1.86	2.02	1.96	2.16	2.15	1.99	2.27	1.81	1.06
Savings (including MMDAs)	2.58	2.64	3.24	3.11	3.08	2.97	2.65	3.07	2.22	1.18
Large time deposits[5]	3.90	4.23	5.62	5.48	5.56	5.51	5.17	6.01	5.27	3.36
Other time deposits[5]	4.40	4.40	5.53	5.57	5.57	5.64	5.11	5.74	5.52	3.80
Gross federal funds purchased and RPs	2.95	4.12	5.61	5.16	5.21	5.14	4.83	5.95	3.84	1.86
Other interest-bearing liabilities	4.44	4.93	6.32	5.90	6.09	6.00	5.36	6.45	5.41	4.21
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	6.74	6.90	7.69	7.68	7.75	7.63	7.19	7.80	7.16	5.88
Taxable equivalent	6.84	6.99	7.78	7.75	7.83	7.71	7.27	7.88	7.24	5.95
Loans	5.06	5.26	5.99	5.99	6.00	5.85	5.47	5.97	5.59	4.59
Securities	1.48	1.45	1.43	1.42	1.50	1.50	1.51	1.58	1.33	1.16
Gross federal funds sold and reverse RPs	.14	.14	.21	.20	.19	.22	.17	.21	.16	.07
Other	.06	.06	.07	.06	.06	.06	.04	.04	.04	.02
Gross interest expense	2.46	2.65	3.46	3.40	3.47	3.44	3.20	3.79	3.14	1.94
Deposits	2.07	2.01	2.56	2.57	2.70	2.71	2.44	2.87	2.48	1.50
Gross federal funds purchased and RPs	.22	.35	.46	.43	.37	.32	.34	.38	.22	.10
Other	.17	.29	.44	.40	.40	.41	.42	.54	.44	.34
Net interest income	4.28	4.25	4.24	4.27	4.28	4.19	3.99	4.01	4.02	3.94
Taxable equivalent	4.37	4.34	4.32	4.35	4.36	4.27	4.07	4.08	4.10	4.02
Loss provisioning[6]	.47	.32	.43	.50	.56	.48	.39	.53	.65	.54
Non-interest income	1.84	1.86	1.84	1.88	2.08	2.25	2.31	2.36	2.35	2.38
Service charges on deposits	.45	.42	.42	.41	.40	.39	.38	.36	.39	.41
Fiduciary activities	.29	.28	.27	.29	.32	.37	.38	.44	.40	.35
Trading income	.03	.02	.03	.02	.01	.02	.02	.01	*	*
Interest rate exposures	n.a.	n.a.	n.a.	.01	.01	.01	.01	.01	−.01	*
Foreign exchange rate exposures	n.a.	n.a.	n.a.	.01	*	*	*	*	*	*
Other commodity and equity exposures	n.a.	n.a.	n.a.	*	*	*	*	*	*	*
Other	1.08	1.14	1.12	1.16	1.34	1.47	1.53	1.55	1.57	1.62
Non-interest expense	3.92	3.78	3.68	3.69	3.73	3.86	3.70	3.84	3.88	3.74
Salaries, wages, and employee benefits	1.51	1.49	1.44	1.44	1.50	1.57	1.56	1.59	1.61	1.65
Occupancy	.48	.46	.45	.45	.46	.47	.47	.47	.46	.45
Other	1.92	1.83	1.79	1.80	1.76	1.83	1.68	1.79	1.81	1.65
Net non-interest expense	2.08	1.92	1.84	1.81	1.65	1.61	1.39	1.49	1.53	1.36
Gains on investment account securities	.06	−.05	−.01	.02	.02	.04	−.01	−.04	.05	.04
Income before taxes and extraordinary items	1.78	1.96	1.96	1.98	2.10	2.14	2.19	1.95	1.89	2.08
Taxes	.61	.67	.67	.69	.73	.73	.74	.67	.65	.69
Extraordinary items, net of income taxes	.04	*	*	*	*	.06	.01	*	.01	*
Net income	1.21	1.29	1.28	1.29	1.37	1.46	1.46	1.28	1.25	1.40
Cash dividends declared	.79	.81	.87	1.04	1.09	1.01	1.06	.92	1.32	1.20
Retained income	.43	.48	.41	.25	.28	.45	.40	.36	−.08	.20
MEMO: Return on equity	14.91	15.40	14.82	14.45	14.90	15.49	16.11	14.11	12.87	13.88

* 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. Before 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, 1993–2002

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

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	92.43	92.48	92.48	92.45	92.44	92.64	92.55	92.52	92.26	92.22
Loans and leases, net	52.95	54.64	56.61	57.38	58.75	59.11	59.75	62.31	62.65	62.72
Commercial and industrial	9.24	9.31	9.65	9.98	10.16	10.33	10.64	11.09	11.09	10.71
U.S. addressees	9.20	9.26	9.59	9.91	10.08	10.25	10.55	11.02	11.01	10.65
Foreign addressees	.04	.05	.06	.07	.08	.08	.08	.07	.08	.06
Consumer	9.18	9.38	9.54	9.42	8.98	8.46	8.15	7.97	7.42	6.77
Credit card	.92	.96	1.01	1.04	.85	.70	.68	.58	.57	.49
Installment and other	8.26	8.42	8.53	8.38	8.14	7.76	7.47	7.39	6.85	6.28
Real estate	31.10	32.19	33.55	34.10	35.55	36.04	36.84	39.30	40.29	41.52
In domestic offices	31.09	32.19	33.55	34.10	35.54	36.04	36.84	39.30	40.29	41.51
Construction and land development	1.93	2.14	2.38	2.61	2.82	3.02	3.28	3.70	4.23	4.51
Farmland	2.20	2.34	2.48	2.55	2.69	2.83	2.95	3.06	3.04	3.08
One- to four-family residential	16.82	16.94	17.45	17.48	18.16	18.04	17.66	18.43	18.24	17.91
Home equity	1.27	1.21	1.20	1.20	1.24	1.21	1.17	1.28	1.38	1.62
Other	15.56	15.73	16.26	16.28	16.92	16.84	16.49	17.15	16.86	16.29
Multifamily residential	.84	.93	.95	.92	.95	.93	.98	1.04	1.06	1.16
Nonfarm nonresidential	9.30	9.83	10.28	10.54	10.92	11.21	11.97	13.06	13.71	14.86
In foreign offices	*	*	*	*	*	*	*	*	*	*
To depository institutions and acceptances of other banks	.16	.17	.19	.21	.20	.14	.14	.12	.12	.10
Foreign governments	.02	.01	*	*	*	*	.01	.01	*	*
Agricultural production	3.58	3.89	3.95	3.92	4.05	4.28	4.06	3.85	3.75	3.64
Other loans	.82	.77	.72	.69	.67	.67	.67	.69	.67	.65
Lease-financing receivables	.18	.20	.22	.23	.25	.24	.26	.27	.27	.30
LESS: Unearned income on loans	−.36	−.31	−.30	−.27	−.24	−.20	−.15	−.11	−.09	−.07
LESS: Loss reserves[1]	−.97	−.95	−.93	−.90	−.87	−.86	−.87	−.88	−.88	−.90
Securities	33.08	32.90	30.51	29.53	28.25	26.70	26.92	25.40	22.83	23.34
Investment account	33.01	32.86	30.48	29.50	28.21	26.66	26.88	25.38	22.82	23.33
Debt	33.01	30.64	27.92	26.51	24.58	22.30	21.82	19.43	19.67	20.41
U.S. Treasury	n.a.	10.75	9.19	7.86	6.70	5.05	3.34	2.12	1.33	1.04
U.S. government agency and corporation obligations	n.a.	15.24	15.13	15.67	15.58	15.43	16.89	16.95	15.29	16.07
Government-backed mortgage pools	n.a.	4.73	4.19	4.21	4.01	3.90	3.95	3.47	3.80	4.54
Collateralized mortgage obligations	n.a.	3.05	2.76	2.46	2.19	2.02	2.00	1.70	1.94	2.30
Other	n.a.	7.46	8.18	9.00	9.38	9.51	10.94	11.78	9.55	9.23
State and local government	n.a.	5.00	4.69	4.62	4.60	4.80	4.96	4.64	4.51	4.56
Private mortgage-backed securities	n.a.	.26	.20	.18	.19	.16	.26	.23	.28	.27
Other	n.a.	.96	.81	.68	.61	.68	.89	.88	1.12	1.12
Equity[2]	n.a.	.43	.45	.49	.52	.54	.53	.56	.30	.27
Trading account	.07	.04	.03	.03	.03	.04	.03	.02	.01	.01
Gross federal funds sold and reverse RPs	4.67	3.42	3.91	4.03	3.95	5.13	4.17	3.22	5.00	4.26
Interest-bearing balances at depositories	1.74	1.52	1.45	1.51	1.49	1.72	1.71	1.59	1.77	1.90
Non-interest-earning assets	7.57	7.52	7.52	7.55	7.56	7.36	7.45	7.48	7.74	7.78
Revaluation gains held in trading accounts[3]	n.a.	*	*	*	*	*	*	*	*	*
Other	7.57	7.52	7.52	7.55	7.56	7.36	7.45	7.48	7.74	7.78
Liabilities	90.63	90.43	90.04	89.82	89.63	89.54	89.75	89.89	89.60	89.71
Interest-bearing liabilities	76.88	76.19	75.74	75.59	75.47	75.35	75.90	76.05	76.01	76.00
Deposits	74.54	73.14	72.70	72.47	72.05	71.77	71.41	70.54	70.92	70.50
In foreign offices	.08	.09	.11	.10	.09	.07	.07	.05	.06	.05
In domestic offices	74.45	73.05	72.59	72.37	71.96	71.70	71.34	70.48	70.86	70.44
Other checkable deposits	13.16	13.31	12.37	11.75	11.39	11.18	11.07	10.57	10.18	10.42
Savings (including MMDAs)	23.55	23.23	20.41	19.58	18.98	19.01	19.69	19.03	19.15	20.99
Small-denomination time deposits	30.09	28.83	30.92	31.28	31.09	30.42	29.07	28.42	28.06	25.90
Large-denomination time deposits	7.66	7.68	8.89	9.76	10.50	11.10	11.50	12.47	13.47	13.13
Gross federal funds purchased and RPs	1.44	1.89	1.78	1.71	1.67	1.49	1.79	2.06	1.56	1.51
Other	.90	1.16	1.25	1.41	1.74	2.09	2.70	3.45	3.53	4.00
Non-interest-bearing liabilities	13.74	14.24	14.30	14.23	14.16	14.19	13.86	13.84	13.59	13.71
Demand deposits in domestic offices	12.82	13.34	13.23	13.12	13.09	13.08	12.80	12.64	12.15	12.24
Revaluation losses held in trading accounts[3]	n.a.	*	*	*	*	*	*	*	*	*
Other	.93	.90	1.07	1.10	1.06	1.10	1.06	1.20	1.44	1.47
Capital account	9.37	9.57	9.96	10.18	10.37	10.46	10.25	10.11	10.40	10.28
MEMO										
Commercial real estate loans	12.21	13.02	13.72	14.18	14.80	15.26	16.33	17.92	19.15	20.67
Other real estate owned	.52	.35	.25	.20	.16	.13	.11	.11	.12	.14
Managed liabilities	10.09	10.83	12.05	12.99	14.02	14.76	16.08	18.07	18.68	18.79
Average net consolidated assets (billions of dollars)	687	679	666	661	647	644	651	655	675	704

A.1.—Continued

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

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Effective interest rate (percent)[1]									
Rates earned										
Interest-earning assets	7.62	7.57	8.38	8.36	8.49	8.33	8 05	8.49	7.97	6.83
Taxable equivalent	7.78	7.72	8.53	8.50	8.63	8.48	8 18	8.59	8.11	6.96
Loans and leases, gross	9.13	9.00	9.80	9.75	9.80	9.69	9 28	9.55	9.09	7.90
Net of loss provisions	8.78	8.80	9.54	9.47	9.49	9.34	8 89	9.13	8.64	7.47
Securities	5.94	5.61	6.10	6.15	6.26	6.04	5 88	6.15	5.93	5.04
Taxable equivalent	6.33	5.99	6.49	6.52	6.65	6.46	6 29	6.55	6.35	5.45
Investment account	5.95	5.61	6.10	6.14	6.26	6.04	5 89	6.15	5.93	5.04
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.	5.98	4.81
Mortgage-backed securities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.45	5.48
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.31	4.91
Trading account	4.83	6.03	6.12	6.47	6.33	5.26	3.60	4.01	6.43	4.80
Gross federal funds sold and reverse RPs	2.95	4.08	5.95	5.34	5.51	5.35	4.96	6.26	3.85	1.65
Interest-bearing balances at depositories	4.53	4.64	5.88	5.63	5.62	5.67	5.69	6.40	4.56	2.68
Rates paid										
Interest-bearing liabilities	3.54	3.49	4.46	4.49	4.60	4.60	4.28	4.80	4.43	2.93
Interest-bearing deposits	3.53	3.44	4.39	4.44	4.53	4.53	4.21	4.67	4.34	2.80
In foreign offices	2.91	3.92	5.73	5.34	4.77	5.08	4.34	5.13	3.82	1.49
In domestic offices	3.53	3.44	4.39	4.44	4.53	4.53	4.21	4.67	4.34	2.80
Other checkable deposits	2.42	2.29	2.50	2.41	2.46	2.45	2.28	2.47	1.97	1.16
Savings (including MMDAs)	2.91	2.83	3.32	3.26	3.36	3.39	3.21	3.56	2.84	1.73
Large time deposits[5]	3.96	4.12	5.55	5.48	5.53	5.53	5.21	5.92	5.55	3.62
Other time deposits[5]	4.39	4.28	5.51	5.61	5.66	5.63	5.24	5.70	5.62	3.90
Gross federal funds purchased and RPs	3.17	4.12	5.61	5.12	5.23	4.99	4.73	5.69	4.03	1.85
Other interest-bearing liabilities	4.68	4.98	6.45	5.77	6.31	6.45	5.63	6.22	5.86	5.34
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	7.06	7.01	7.78	7.77	7.90	7.75	7.48	7.86	7.40	6.35
Taxable equivalent	7.20	7.15	7.91	7.89	8.02	7.87	7.60	7.97	7.50	6.46
Loans	4.92	4.99	5.63	5.68	5.86	5.80	5.62	6.02	5.78	5.06
Securities	1.96	1.84	1.86	1.80	1.76	1.59	1.58	1.58	1.33	1.16
Gross federal funds sold and reverse RPs	.14	.15	.25	.24	.24	.29	.22	.21	.20	.08
Other	.05	.04	.04	.04	.04	.06	.06	.05	.05	.03
Gross interest expense	2.72	2.65	3.37	3.39	3.48	3.46	3.26	3.64	3.36	2.23
Deposits	2.64	2.52	3.19	3.22	3.28	3.25	3.03	3.31	3.09	1.99
Gross federal funds purchased and RPs	.04	.07	.10	.08	.08	.07	.08	.12	.06	.03
Other	.04	.06	.08	.08	.11	.13	.15	.21	.21	.21
Net interest income	4.34	4.36	4.41	4.38	4.42	4.28	4.22	4.22	4.04	4.12
Taxable equivalent	4.48	4.50	4.54	4.50	4.54	4.41	4.35	4.33	4.15	4.22
Loss provisioning[6]	.27	.19	.24	.25	.27	.29	.31	.35	.36	.34
Non-interest income	1.25	1.30	1.38	1.42	1.42	1.52	1.44	1.32	1.34	1.40
Service charges on deposits	.45	.44	.44	.44	.44	.42	.42	.43	.44	.45
Fiduciary activities	.16	.17	.22	.19	.20	.23	.26	.21	.25	.27
Trading income	.01	*	.01	*	*	*	*	.01	*	*
Interest rate exposures	n.a.	n.a.	n.a.	*	*	*	*	*	*	*
Foreign exchange rate exposures	n.a.	n.a.	n.a.	*	*	*	*	*	*	*
Other commodity and equity exposures	n.a.	n.a.	n.a.	*	*	*	*	*	*	*
Other	.64	.69	.71	.79	.77	.86	.75	.68	.65	.68
Non-interest expense	3.74	3.78	3.80	3.70	3.69	3.74	3.73	3.59	3.56	3.54
Salaries, wages, and employee benefits	1.73	1.75	1.79	1.77	1.80	1.82	1.82	1.78	1.79	1.83
Occupancy	.49	.49	.50	.49	.49	.49	.49	.47	.47	.47
Other	1.53	1.55	1.51	1.44	1.40	1.43	1.42	1.33	1.30	1.24
Net non-interest expense	2.49	2.48	2.42	2.28	2.28	2.23	2.29	2.27	2.22	2.15
Gains on investment account securities	.07	−.03	*	.01	.01	.02	*	−.01	.04	.05
Income before taxes and extraordinary items	1.65	1.66	1.75	1.85	1.89	1.79	1.62	1.59	1.50	1.66
Taxes	.51	.51	.55	.59	.59	.53	.46	.45	.41	.43
Extraordinary items, net of income taxes	.05	*	*	*	*	*	*	*	*	−.01
Net income	1.19	1.15	1.20	1.26	1.30	1.26	1.15	1.15	1.09	1.21
Cash dividends declared	.56	.57	.62	.64	.74	.82	.68	.79	.66	.68
Retained income	.63	.58	.58	.62	.56	.44	.48	.36	.43	.53
MEMO: Return on equity	12.67	12.03	12.05	12.37	12.53	12.02	11.25	11.38	10.49	11.81

* 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. Before 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, 1993–2002

Millions of dollars

Item	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Gross interest income	244,742	257,065	302,376	313,248	338,216	359,174	366,172	424,440	405,332	351,066
Taxable equivalent	247,620	259,822	305,012	315,708	340,648	361,638	368,799	427,076	408,016	353,822
Loans	178,425	189,764	227,220	239,401	255,492	270,940	278,573	327,385	312,484	270,732
Securities	48,678	48,299	51,030	50,634	52,659	56,596	62,115	67,676	63,128	59,416
Gross federal funds sold and reverse repurchase agreements	4,796	6,415	9,744	9,272	13,658	14,999	12,327	13,549	12,656	6,232
Other	12,843	12,587	14,382	13,944	16,406	16,637	13,155	15,831	17,065	14,686
Gross interest expense	105,615	110,850	147,960	150,101	164,511	177,999	174,901	222,112	188,898	119,084
Deposits	79,503	79,106	105,331	107,517	117,350	125,216	119,664	151,182	132,495	82,064
Gross federal funds purchased and repurchase agreements	8,442	12,476	18,424	16,780	20,439	22,182	21,130	26,860	19,602	9,934
Other	17,669	19,269	24,205	25,806	26,721	30,600	34,106	44,072	36,800	27,086
Net interest income	139,127	146,215	154,416	163,147	173,705	181,175	191,271	202,328	216,434	231,982
Taxable equivalent	142,005	148,972	157,052	165,607	176,137	183,639	193,898	204,964	219,118	234,738
Loss provisioning	16,841	10,991	12,632	16,211	19,176	21,220	21,121	29,788	43,313	45,180
Non-interest income	75,847	77,224	83,851	95,308	105,628	123,444	144,121	152,324	159,275	167,771
Service charges on deposits	14,898	15,281	16,057	17,051	18,558	19,769	21,497	23,719	26,892	29,658
Fiduciary activities	11,199	12,124	12,889	14,296	16,584	19,268	20,502	22,220	21,970	21,636
Trading revenue	9,238	6,249	6,337	7,525	8,018	7,705	10,478	12,446	12,547	10,709
Other	40,513	43,572	48,567	56,436	62,468	76,701	91,644	93,939	97,866	105,767
Non-interest expense	140,523	144,905	151,141	162,456	170,880	193,696	204,406	215,795	225,219	229,298
Salaries, wages, and employee benefits	58,507	60,904	64,014	67,800	72,310	79,503	86,150	89,030	94,275	100,574
Occupancy	18,578	18,978	19,760	20,889	22,074	24,160	25,864	26,764	27,959	29,394
Other	63,439	65,023	67,366	73,766	76,495	90,034	92,392	100,001	102,986	99,329
Net non-interest expense	64,676	67,681	67,290	67,148	65,252	70,252	60,285	63,471	65,944	61,527
Gains on investment account securities	3,054	−568	481	1,123	1,825	3,090	250	−2,290	4,627	6,475
Income before taxes	60,662	66,974	74,977	80,911	91,101	92,794	110,116	106,778	111,805	131,621
Taxes	19,861	22,429	26,222	28,448	31,973	31,878	39,233	37,333	37,236	43,430
Extraordinary items, net of income taxes	2,085	−17	28	88	56	506	169	−31	−324	−95
Net income	**42,886**	**44,528**	**48,783**	**52,551**	**59,184**	**61,421**	**71,052**	**69,413**	**74,244**	**88,096**
Cash dividends declared	22,068	28,165	31,106	39,419	42,752	41,205	51,955	52,547	54,944	67,292
Retained income	20,816	16,362	17,678	13,131	16,433	20,215	19,097	16,866	19,299	20,804