

Twenty-Five Largest Banking Companies:

Second Quarter Net Income Dips Slightly; Asset Quality Worsens

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The 25 largest banking companies (*25 Largest*) earned \$14.7 billion in the second quarter of 2002, according to recently filed public data releases. High net interest margins and an increase in loan volume contributed to strong earnings which produced a return-on-assets of 1.25 percent for the group. Net income was 33 percent higher than year-ago levels, but 9.1 percent lower than reported in the first quarter of 2002. Credit quality problems continued at these institutions, with chargeoffs rising 9.1 percent in the first quarter to \$7.5 billion and nonperforming assets rising 5.4 percent to \$39.3 billion. A detailed discussion of overall results and information on individual companies are available in the FDIC's report, [Twenty-Five Largest Banking Companies](#).

Chart 1

Net Income Remains Strong Due to Favorable Interest Rate Environment

Quarterly Net Income for the Largest 25 Banking Companies,
Dollars in Billions



Source: SNL Datasource

The results indicate that overall large-bank earnings have remained strong in spite of the adverse effects of the recession that began in March 2001. While the signs of economic recovery suggest that overall credit quality may improve in future quarters, there remain several areas of concern. These include continued high rates of corporate bankruptcies and controversy over accounting and corporate governance issues, credit exposures in Latin America, and higher-than-expected losses in subprime portfolios. However, the resilient second-quarter financial performance of the *25 Largest* bodes well for their ability to manage credit events that may accompany a challenging economic environment.

Chart 1

Net Income Strong Due to Favorable Interest Rate Environment

Quarterly Net Income for the 25 Largest Banking Companies, Dollars in Billions

Quarter	Quarterly Net Income
2001:Q2	\$11.1
2001:Q3	\$10.2
2001:Q4	\$11.4
2002:Q1	\$16.2
2002:Q2	\$14.7