Comptroller of the Currency
Administrator of National Banks

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Quarterly Journal

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Office of the Comptroller of the Currency
December 1999

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Background

The Office of the Comptroller of the Currency (OCC) was established in 1863 as a bureau of the Department of the Treasury. The OCC is headed by the Comptroller, who is appointed by the President, with the advice and consent of the Senate, for a five-year term.

The OCC regulates national banks by its power to:

- Examine the banks;
- Approve or deny applications for new charters, branches, capital, or other changes in corporate or banking structure;
- Take supervisory actions against banks that do not conform to laws and regulations or that otherwise engage in unsound banking practices, including removal of officers, negotiation of agreements to change existing banking practices, and issuance of cease and desist orders; and
- Issue rules and regulations concerning banking practices and governing bank lending and investment practices and corporate structure.

The OCC divides the United States into six geographical districts, with each headed by a deputy comptroller.

The OCC is funded through assessments on the assets of national banks, and federal branches and agencies. Under the International Banking Act of 1978, the OCC regulates federal branches and agencies of foreign banks in the United States.

The Comptroller

Comptroller John D. Hawke Jr. has held office as the 28th Comptroller of the Currency since December 8, 1998, after being appointed by President Clinton during a congressional recess. He was confirmed subsequently by the United States Senate for a five-year term starting on October 13, 1999. Prior to his appointment Mr. Hawke served for 3½ years as Under Secretary of the Treasury for Domestic Finance. He oversaw development of policy and legislation on financial institutions, debt management, and capital markets; served as chairman of the Advanced Counterfeit Deterrence Steering Committee; and was a member of the board of the Securities Investor Protection Corporation. Before joining Treasury, he was a senior partner at the Washington, D.C. law firm of Arnold & Porter, which he joined as an associate in 1962. In 1975 he left to serve as general counsel to the Board of Governors of the Federal Reserve System, returning in 1978. At Arnold & Porter he headed the financial institutions practice. From 1987 to 1995 he was chairman of the firm.

Mr. Hawke has written extensively on the regulation of financial institutions, including *Commentaries on Banking Regulation,* published in 1985. From 1970 to 1987 he taught courses on federal regulation of banking at Georgetown University Law Center. He has also taught courses on bank acquisitions and serves as chairman of the Board of Advisors of the Morin Center for Banking Law Studies. In 1987 Mr. Hawke served on a committee of inquiry appointed by the Chicago Mercantile Exchange to study the role of futures markets in the October 1987 stock market crash. He was a founding member of the Shadow Financial Regulatory Committee, and served on it until joining Treasury.

Mr. Hawke was graduated from Yale University in 1954 with a B.A. in English. From 1955 to 1957 he served on active duty with the U.S. Air Force. After graduating in 1960 from Columbia University School of Law, where he was editor-in-chief of the *Columbia Law Review,* Mr. Hawke clerked for Judge E. Barrett Prettyman on the U.S. Court of Appeals for the District of Columbia Circuit. From 1961 to 1962 he was counsel to the Select Subcommittee on Education, U.S. House of Representatives.

The *Quarterly Journal* is the journal of record for the most significant actions and policies of the Office of the Comptroller of the Currency. It is published four times a year. The *Quarterly Journal* includes policy statements, decisions on banking structure, selected speeches and congressional testimony, material released in the interpretive letters series, statistical data, and other information of interest to the administration of national banks. Send suggestions or questions to Rebecca Miller, Senior Writer-Editor, Communications Division, Comptroller of the Currency, Washington, DC 20219. Subscriptions are available for $100 a year by writing to Publications—QJ, Comptroller of the Currency, P.O. Box 70004, Chicago, IL 60673–0004. The *Quarterly Journal* is on the Web at http://www.occ.treas.gov/qj/qj.htm.

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Office of the Comptroller of the Currency

John D. Hawke Jr.

Comptroller of the Currency

The Administrator of National Banks

Volume 18, Number 4
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Contents

Condition and Performance of Commercial Banks

Summary

The profitability of the commercial banking industry increased in the third quarter 1999 to record levels. Return on equity (ROE) for banks reached 16.6 percent for the three months ending September 30, 1999, up from 14.5 percent in the second quarter, and 13.3 percent in the third quarter one year ago.

Trends that have bolstered bank earnings during the economic expansion of the 1990's continued—strong growth in noninterest income and low loss provisioning. In addition, the industry's net interest margin increased slightly after declining over the last six years.

The profitability of larger banks drives industry aggregate profitability. As has been the case for several years, 1 percent of banks held two-thirds of bank assets and contributed almost 80 percent of industry noninterest income. A major contributor to the jump in third quarter profits resulted from a few one-time transactions by large banks, including asset sales.

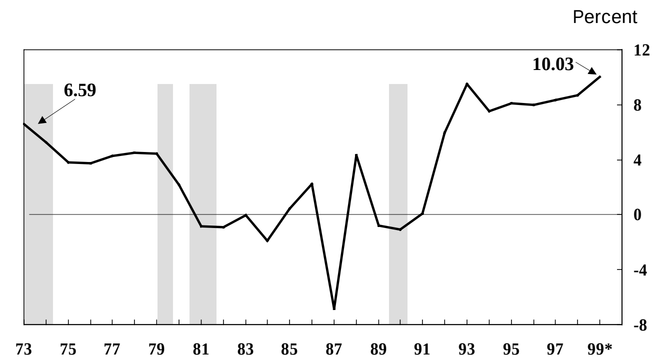
While large bank profits fuel industry earnings, the credit quality of some categories of loans has softened, particularly in larger banks. Additionally, smaller banks continued to feel a profit squeeze.

Unprecedented High Level and Longevity of Bank Profitability

Banks reported $19.4 billion in net income for the three months ending September 30, 1999, a record level. Net income had been $17.0 billion in the second quarter, and $18.0 billion in the first quarter, the previous record. Both return on assets and return on equity reached record levels for the banking industry as a whole.

The economic expansion of the 1990s has been unprecedented and has contributed in a major way to the level and longevity of bank profitability. Since the last recession in 1991, bank profitability has risen to and remained at high levels. As shown by Figure 1, bank ROE as measured against a "risk free" rate of return such as a 10-year Treasury bond has been at unprecedented levels

Figure 1—Spread of ROE over 10-year Treasuries (commercial banks)



* 1999 data as of September 30, 1999 annualized. All other data as of year-end.
Source: Integrated Banking Information System

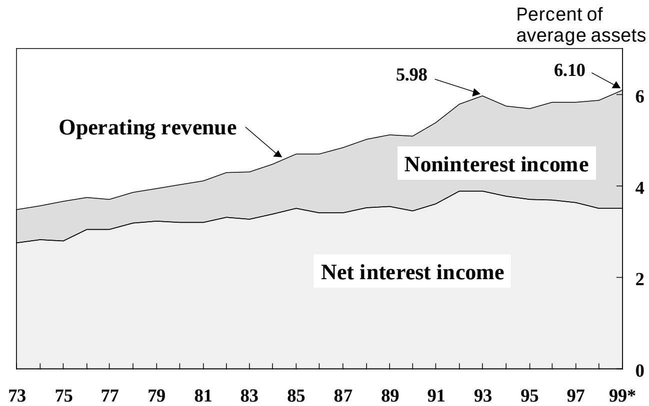
throughout the 1990s. A similar picture emerges when ROE is viewed against a measure of inflation to create a "real" rate of return.

Components of Bank Profitability

Figure 2 shows the growth of annual bank operating revenue (defined as net interest income plus noninterest income) since 1973. Through the first three quarters of 1999, bank operating revenue as a percentage of average assets equaled 6.10 percent. Annual commercial bank operating revenue to average assets has not exceeded 6 percent in the 65 years of FDIC statistics.

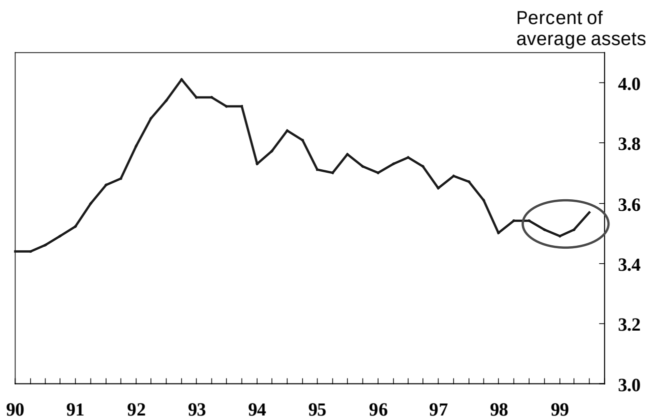
As shown in Figure 2, the industry's net interest income as a percentage of average assets has begun to level off after five years of compression. As shown in Figure 3, net interest income as a percentage of average assets increased for the second consecutive quarter to 3.57 percent from an eight-year low of 3.49 percent in the first quarter 1999. The improvement in net interest margin reflects a widening spread between short-term and long-term interest rates. As an example, the spread between the 10-year Treasury composite and a 1-year Treasury bill increased from 49 basis points in the third quarter a year ago to 118 basis points in the third quarter this year.

Figure 2—Operating revenue (commercial banks)



* 1999 data as of September 30, 1999 annualized. All other data as of year-end.
Source: Integrated Banking Information System

Figure 3—Net interest margin (commercial banks)

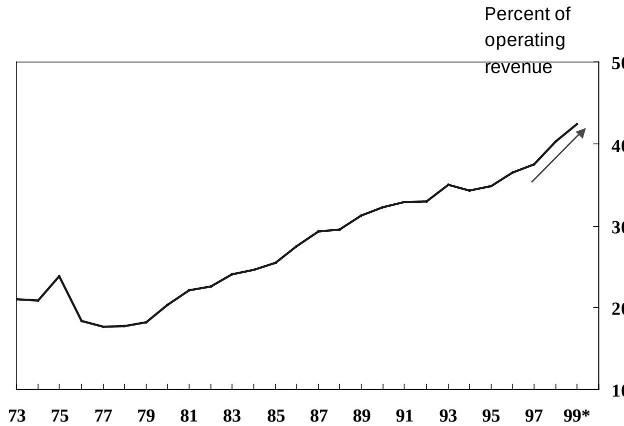


* 1999 data as of September 30, 1999 annualized. All other data as of year-end.
Source: Integrated Banking Information System

Aggregate noninterest income continued to grow significantly, representing an increasing percentage of operating revenue. The rate of growth of noninterest income also has increased. As shown in Figure 4, the ratio of noninterest income to operating revenue grew approximarely one percentage point a year, from 18.2 percent to 37.5 percent, in the 18 years between 1979 and 1997. Since 1997, this ratio has grown at an annualized rate of approximately two percentage points per year, reaching 42.4 percent in the third quarter of 1999.

The largest banks account for much of the change in industry noninterest income. In the third quarter 1999, 10 banks earned 40 percent of all bank noninterest income. While trading revenue has been an important, if variable, contributor to noninterest income in large

Figure 4—Noninterest income (commercial banks)

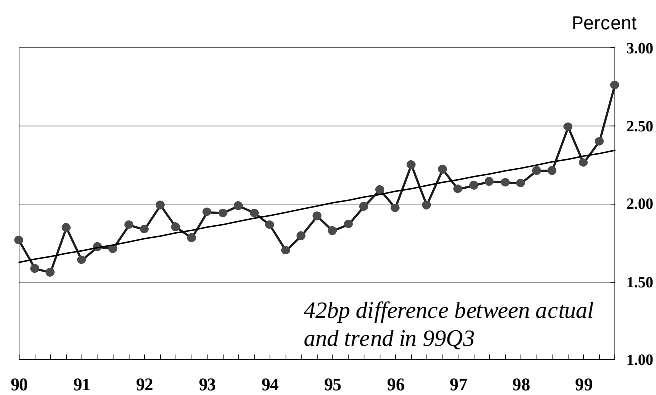


* 1999 data as of September 30, 1999 annualized. All other data as of year-end.
Source: Integrated Banking Information System

banks, it represented only 8 percent of noninterest income earned by banks over $10 billion in assets during the three months ending September 30, 1999. As shown in Figure 5, noninterest income less trading revenue in large banks as a percent of average assets grew significantly in large banks in excess of the historical trend in the third quarter, a major cause of record earnings for the quarter. Nine of the 77 banks with over $10 billion in assets had year-over-year increases in the ratio of noninterest income less trading revenue to average assets in excess of 100 basis points in the third quarter. Several of these resulted from asset sales and other one-time transactions.

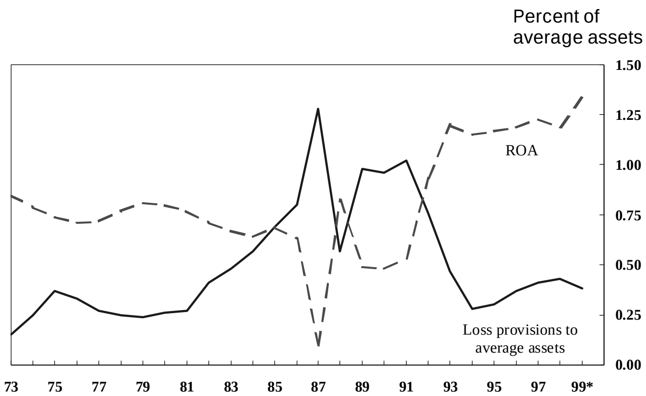
While operating revenue has been increasing, low loss provisioning has also contributed to the recent profit-

Figure 5—Noninterest income less trading revenue to assets (commercial banks over $10 billion)



Source: Integrated Banking Information System ability of commercial banks. As shown in Figure 6, the level of provisioning is closely aligned with profitability. For the three months ending September 30, loan loss provisioning declined for the aggregate industry from 0.50 percent in 1998 to 0.39 percent in 1999.

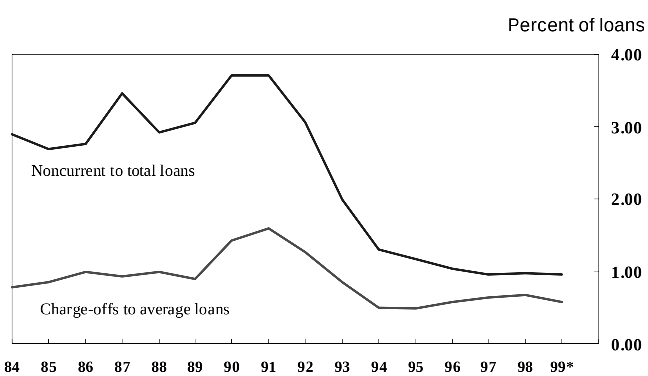
Figure 6—Loss provisioning (commercial banks)



* 1999 data as of September 30, 1999 annualized. All other data as of year-end.
Source: Integrated Banking Information System

This level of loss provisioning corresponds with current low levels of noncurrent loans and charge-offs with respect to most loan categories. As shown in Figure 7, noncurrent loans to total loans have been below 1 percent for over two years after reaching 3.7 percent in 1990 and 1991. Net charge-offs to loans have declined to almost 0.5 percent after reaching 1.59 percent in 1991. Similarly, total dollars in other real estate owned declined to below $3 billion during the third quarter in comparison to $3.4 billion in the third quarter 1998 and $26.6 billion in 1991. In contrast to the general trend, however, the percentage of noncurrent C&I loans and noncurrent consumer installment loans increased by 19 basis points and 14 basis points respectively between September 1998 and September 1999.

Figure 7—Loan quality (commercial banks)

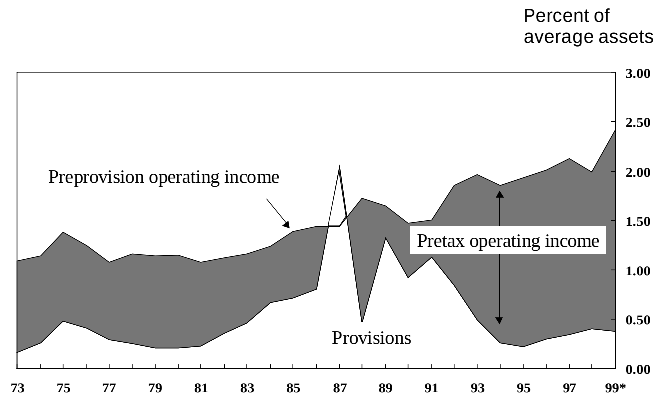


* 1999 data as of September 30, 1999 annualized. All other data as of year-end.
Source: Integrated Banking Information System

Earnings Performance of Large and Small Banks

The largest banks are becoming increasingly profitable as their preprovision operating income expands while loss provisioning declines. As shown in Figure 8, pretax operating income in banks with assets over $10 billion expanded to 2.04 percent of average assets for the nine-month period ending September 30, 1999.

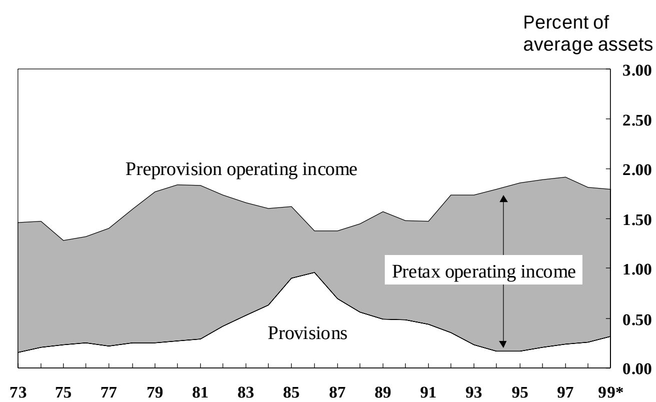
Figure 8—Large banks (commercial banks over $10 billion)



* 1999 data as of September 30, 1999 annualized. All other data as of year-end.
Source: Integrated Banking Information System

In contrast, as shown in Figure 9, the profitability of smaller banks is declining as preprovision operating income revenue shrinks and loss provisioning increases. Return on assets for banks under $100 million declined from 1.24 percent for the nine months ending September 30, 1998, to 1.09 percent for the same period in 1999. Pretax operating income for banks with assets under $100 million was 1.48 percent for the nine-month period ending September 30, 1999.

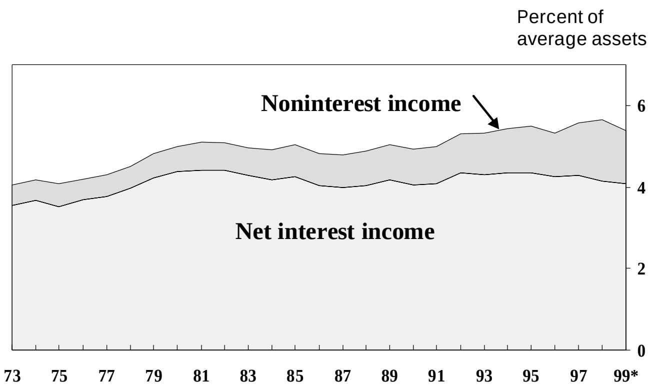
Figure 9—Small banks (commercial banks under $100 million)



* 1999 data as of September 30, 1999 annualized. All other data as of year-end.
Source: Integrated Banking Information System

As shown in Figure 10, the ratios of both noninterest income to assets and net interest income to assets have both been recently declining in small banks. Noninterest income in small banks declined as a percentage of average assets from 1.43 percent for the nine months ending September 30, 1998 to 1.30 percent for the same period in 1999. Net interest income in small banks declined as a percentage of average assets from 4.21 percent to 4.08 between the same nine month periods.

Figure 10—Operating revenue (commercial banks under $100 million)

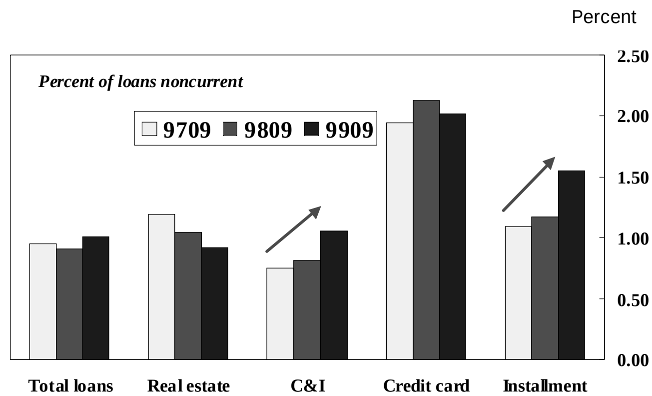


* 1973–98 data as of year-end; 1999 third quarter annualized.
Source: Integrated Banking Information System

Credit Quality in Large Banks

Despite positive general trends in credit quality for the industry, larger banks have reported some weakening of asset quality. As shown in Figure 11, noncurrent commercial and industrial loans as a percentage of total C&I loans in banks with over $10 billion in assets from increased 0.81 percent in the third quarter of 1998 to 1.06 percent in the third quarter of 1999. Noncurrent C&I loans as a percentage of total C&I loans increased in seven of the 10 largest banks. Additionally, bank regulators reported an increase in adversely classified shared credits between 1998 and 1999, including an increase in the percentage of adversely classified credits for most major industry sectors compared with 1998. These trends come on the heels of warnings from bank regulators in 1997 and 1998 about a loosening of underwriting standards. Additionally, noncurrent installment loans increased in banks with over $10 billion in assets, from 1.17 percent in September 1998 to 1.55 percent in September 1999.

Figure 11—Weakening credit quality (commercial banks over $10 billion)



Source: Integrated Banking Information System

Conclusion

Earnings for the commercial banking industry continue to be at historically unprecedented high levels. In the third quarter, industry return on equity and return on assets reached new records. Noninterest income gains and low provisioning continued to boost bank earnings. Net interest income showed signs of stabilizing after many quarters of net interest margin compression. The third quarter 1999 marked a 10-year anniversary since the last quarter—the third quarter of 1989—in which the commercial banking industry recorded negative net income.

Amid all the positive news, there are signs indicating caution. First, much of the above average gains in noninterest income were achieved as the result of one-time transactions by a few large banks. Second, asset quality showed signs of slippage with respect to several loan categories, particularly among larger banks. Third, the smallest banks continue to face a difficult profit squeeze as the result of both declining income and increasing expenses.

Key indicators, FDIC-insured national banks
Annual 1995–1998, year-to-date through September 30, 1999, third quarter 1998, and third quarter 1999
(Dollar figures in millions)

	1995	1996	1997	1998	Preliminary 1999YTD	1998Q3	Preliminary 1999Q3
Number of institutions reporting	2,858	2,726	2,597	2,456	2,383	2,519	2,383
Total employees (FTEs)	840,699	850,737	912,463	974,871	972,059	956,683	972,059
Selected income data ($)							
Net income	$28,583	$30,497	$35,782	$37,623	$33,055	$9,175	$11,484
Net interest income	87,080	94,564	106,639	110,985	86,808	27,642	29,396
Provision for loan losses	6,335	9,598	13,065	15,242	11,426	4,664	3,715
Noninterest income	51,080	56,100	65,429	81,347	68,469	20,094	23,352
Noninterest expense	87,591	93,690	104,682	122,584	92,769	29,807	30,973
Net operating income	28,540	30,095	34,993	35,564	32,816	8,846	11,600
Cash dividends declared	20,516	25,279	28,587	25,412	21,662	6,476	7,446
Net charge-offs to loan and lease reserve	6,459	9,968	12,661	14,492	10,273	4,005	3,370
Selected condition data ($)							
Total assets	2,401,017	2,528,057	2,893,910	3,183,327	3,227,312	3,048,867	3,227,312
Total loans and leases	1,522,677	1,641,464	1,840,485	2,015,562	2,065,991	1,962,773	2,065,991
Reserve for losses	31,142	31,992	34,865	36,810	37,699	37,056	37,699
Securities	390,549	380,615	452,118	516,084	559,331	495,846	559,331
Other real estate owned	3,396	2,761	2,112	1,833	1,680	1,948	1,680
Noncurrent loans and leases	17,595	17,223	17,878	19,516	19,842	18,010	19,842
Total deposits	1,695,817	1,801,043	2,004,867	2,137,948	2,141,424	2,033,974	2,141,424
Domestic deposits	1,406,312	1,525,565	1,685,316	1,785,859	1,765,010	1,698,518	1,765,010
Equity capital	189,714	207,166	244,795	274,211	276,881	271,026	276,881
Off-balance-sheet derivatives	7,914,818	7,488,663	8,704,481	10,953,514	12,157,012	11,591,350	12,157,012
Performance ratios (annualized %)							
Return on equity	15.76	15.28	15.00	14.30	15.91	13.67	16.59
Return on assets	1.24	1.25	1.29	1.24	1.38	1.21	1.43
Net interest income to assets	3.78	3.88	3.83	3.67	3.63	3.66	3.66
Loss provision to assets	0.27	0.39	0.47	0.50	0.48	0.62	0.46
Net operating income to assets	1.24	1.24	1.26	1.18	1.37	1.17	1.45
Noninterest income to assets	2.22	2.30	2.35	2.69	2.86	2.66	2.91
Noninterest expense to assets	3.80	3.85	3.76	4.05	3.88	3.95	3.86
Loss provision to loans and leases	0.44	0.61	0.73	0.79	0.75	0.96	0.72
Net charge-offs to loans and leases	0.45	0.63	0.71	0.75	0.67	0.82	0.66
Loss provision to net charge-offs	98.09	96.29	103.19	105.12	111.25	115.94	110.27
Performance ratios (%)							
Percent of institutions unprofitable	3.32	4.77	4.89	5.90	6.08	6.11	6.17
Percent of institutions with earnings gains	66.83	67.83	67.96	61.89	59.00	56.77	61.77
Noninterest income to net operating revenue	36.97	37.24	38.02	42.30	44.09	42.09	44.27
Noninterest expense to net operating revenue	63.40	62.18	60.84	63.74	59.74	62.44	58.72
Condition ratios (%)							
Nonperforming assets to assets	0.88	0.80	0.70	0.68	0.68	0.66	0.68
Noncurrent loans to loans	1.16	1.05	0.97	0.97	0.96	0.92	0.96
Loss reserve to noncurrent loans	176.99	185.75	195.01	188.62	190.00	205.75	190.00
Loss reserve to loans	2.05	1.95	1.89	1.83	1.82	1.89	1.82
Equity capital to assets	7.90	8.19	8.46	8.61	8.58	8.89	8.58
Leverage ratio	7.31	7.40	7.42	7.43	7.54	7.56	7.54
Risk-based capital ratio	12.09	11.97	11.86	11.80	11.93	11.89	11.93
Net loans and leases to assets	62.12	63.66	62.39	62.16	62.85	63.16	62.85
Securities to assets	16.27	15.06	15.62	16.21	17.33	16.26	17.33
Appreciation in securities (% of par)	0.86	0.50	1.11	0.82	–1.74	1.43	–1.74
Residential mortgage assets to assets	20.13	19.81	20.10	20.41	20.39	20.54	20.39
Total deposits to assets	70.63	71.24	69.28	67.16	66.35	66.71	66.35
Core deposits to assets	53.28	54.08	51.59	49.72	47.76	49.27	47.76
Volatile liabilities to assets	30.29	29.83	31.42	31.77	33.78	32.15	33.78

Loan performance, FDIC-insured national banks
Annual 1995–1998, year-to-date through September 30, 1999, third quarter 1998, and third quarter 1999
(Dollar figures in millions)

	1995	1996	1997	1998	Preliminary 1999YTD	1998Q3	Preliminary 1999Q3
Percent of loans past due 30–89 days							
Total loans and leases	1.26	1.39	1.32	1.27	1.17	1.18	1.17
Loans secured by real estate (RE)	1.38	1.45	1.39	1.33	1.09	1.18	1.09
1–4 family residential mortgages	1.44	1.63	1.65	1.50	1.29	1.43	1.29
Home equity loans	1.19	1.04	0.93	0.97	0.75	0.85	0.75
Multifamily residential mortgages	1.15	1.28	1.33	0.94	1.91	0.75	1.91
Commercial RE loans	1.26	1.25	0.95	1.02	0.66	0.80	0.66
Construction RE loans	1.42	1.63	1.63	1.82	1.04	1.24	1.04
Commercial and industrial loans*	0.77	0.89	0.76	0.81	0.73	0.74	0.73
Loans to individuals	2.16	2.46	2.52	2.44	2.59	2.40	2.59
Credit cards	2.35	2.70	2.75	2.52	2.63	2.67	2.63
Installment loans	2.04	2.26	2.34	2.37	2.56	2.20	2.56
All other loans and leases	0.40	0.41	0.46	0.46	0.71	0.42	0.71
Percent of loans noncurrent							
Total loans and leases	1.16	1.05	0.97	0.97	0.96	0.92	0.96
Loans secured by real estate (RE)	1.46	1.27	1.07	0.98	0.90	0.99	0.90
1–4 family residential mortgages	0.90	1.10	1.01	0.95	0.89	0.95	0.89
Home equity loans	0.52	0.47	0.43	0.41	0.33	0.42	0.33
Multifamily residential mortgages	2.21	1.47	1.01	0.88	0.51	0.86	0.51
Commercial RE loans	2.18	1.71	1.27	1.01	0.96	1.09	0.96
Construction RE loans	3.17	1.31	1.00	0.80	0.61	0.83	0.61
Commercial and industrial loans*	1.06	0.87	0.78	0.86	0.96	0.81	0.96
Loans to individuals	1.18	1.34	1.49	1.59	1.56	1.41	1.56
Credit cards	1.34	1.70	2.03	2.06	1.89	1.82	1.89
Installment loans	1.06	1.04	1.04	1.19	1.34	1.09	1.34
All other loans and leases	0.32	0.25	0.27	0.31	0.46	0.27	0.46
Percent of loans charged-off, net							
Total loans and leases	0.45	0.63	0.71	0.75	0.67	0.82	0.66
Loans secured by real estate (RE)	0.13	0.09	0.06	0.05	0.09	0.06	0.13
1–4 family residential mortgages	0.10	0.08	0.08	0.07	0.13	0.07	0.19
Home equity loans	0.23	0.24	0.18	0.16	0.18	0.11	0.17
Multifamily residential mortgages	0.20	0.09	0.01	0.07	0.01	0.25	0.02
Commercial RE loans	0.18	0.02	–0.01	–0.02	0.03	–0.04	0.05
Construction RE loans	–0.01	0.16	–0.10	–0.01	0.03	–0.03	0.01
Commercial and industrial loans*	0.10	0.22	0.27	0.38	0.48	0.42	0.44
Loans to individuals	1.80	2.45	2.86	2.92	2.62	2.87	2.64
Credit cards	3.40	4.25	4.95	5.03	4.51	5.04	4.47
Installment loans	0.76	1.04	1.20	1.23	1.23	1.14	1.40
All other loans and leases	–0.09	0.11	0.10	0.53	0.22	0.95	0.20
Loans outstanding ($)							
Total loans and leases	$1,522,677	$1,641,464	$1,840,485	$2,015,562	$2,065,991	$1,962,773	$2,065,991
Loans secured by real estate (RE)	610,405	646,570	725,305	764,869	806,872	742,727	806,872
1–4 family residential mortgages	317,521	329,031	363,329	381,522	398,316	368,318	398,316
Home equity loans	48,836	55,022	67,669	66,091	64,440	66,263	64,440
Multifamily residential mortgages	18,161	20,480	23,346	23,201	28,096	23,189	28,096
Commercial RE loans	157,638	170,350	190,067	200,469	212,281	193,439	212,281
Construction RE loans	34,736	38,848	47,410	56,260	64,367	55,272	64,367
Farmland loans	8,734	9,046	10,178	10,930	11,700	10,606	11,700
RE loans from foreign offices	24,779	23,794	23,306	26,396	27,672	25,639	27,672
Commercial and industrial loans	405,630	425,148	508,589	583,930	616,259	572,687	616,259
Loans to individuals	320,009	356,067	371,477	386,410	337,733	373,069	337,733
Credit cards	131,228	161,104	168,236	176,408	135,536	163,658	135,536
Installment loans	188,781	194,963	203,241	210,003	202,197	209,411	202,197
All other loans and leases	189,490	216,194	237,326	282,392	306,994	276,418	306,994
Less: Unearned income	2,857	2,515	2,212	2,039	1,867	2,128	1,867

*Includes “All other loans” for institutions under $1 billion in asset size.

Key indicators, FDIC-insured national banks by asset size
Third quarter 1998 and third quarter 1999
(Dollar figures in millions)

	Less than $100M		$100M to $1B		$1B to $10B		Greater than $10B	
	1998Q3	1999Q3	1998Q3	1999Q3	1998Q3	1999Q3	1998Q3	1999Q3
Number of institutions reporting	1,321	1,213	1,008	993	150	130	40	47
Total employees (FTEs)	33,816	31,611	111,747	107,228	165,179	123,536	645,941	709,684
Selected income data ($)								
Net income	$276	$179	$904	$910	$2,235	$1,734	$5,759	$8,661
Net interest income	697	628	2,702	2,775	5,504	3,922	18,739	22,072
Provision for loan losses	40	33	205	260	1,164	439	3,255	2,983
Noninterest income	509	425	1,285	1,450	4,708	3,087	13,592	18,390
Noninterest expense	807	772	2,464	2,640	5,672	3,870	20,865	23,692
Net operating income	274	179	895	912	2,186	1,745	5,491	8,765
Cash dividends declared	493	68	415	337	2,115	588	3,453	6,453
Net charge-offs to loan and lease reserve	25	21	165	159	1,189	543	2,625	2,647
Selected condition data ($)								
Total assets	65,534	60,508	264,599	264,225	494,669	389,292	2,224,066	2,513,287
Total loans and leases	37,910	35,228	160,640	163,771	320,265	246,497	1,443,958	1,620,495
Reserve for losses	520	469	2,353	2,399	7,986	5,169	26,197	29,662
Securities	17,556	16,790	71,488	70,588	92,864	90,407	313,939	381,545
Other real estate owned	79	64	224	207	193	160	1,452	1,250
Noncurrent loans and leases	423	357	1,384	1,466	3,338	2,130	12,865	15,889
Total deposits	55,846	51,114	215,358	212,616	313,316	250,293	1,449,454	1,627,401
Domestic deposits	55,846	51,114	214,773	212,137	307,045	247,665	1,120,854	1,254,094
Equity capital	7,276	6,674	25,971	24,687	51,727	38,334	186,052	207,186
Off-balance-sheet derivatives	590	46	3,872	2,756	69,230	40,521	11,874,753	12,437,392
Performance ratios (annualized %)								
Return on equity	15.03	10.11	14.17	14.92	17.48	18.38	12.49	16.68
Return on assets	1.67	1.14	1.38	1.39	1.82	1.80	1.05	1.38
Net interest income to assets	4.22	4.02	4.12	4.25	4.48	4.08	3.41	3.53
Loss provision to assets	0.24	0.21	0.31	0.40	0.95	0.46	0.59	0.48
Net operating income to assets	1.66	1.14	1.36	1.40	1.78	1.81	1.00	1.40
Noninterest income to assets	3.08	2.72	1.96	2.22	3.83	3.21	2.47	2.94
Noninterest expense to assets	4.88	4.94	3.75	4.04	4.61	4.02	3.79	3.79
Loss provision to loans and leases	0.42	0.35	0.52	0.65	1.46	0.72	0.91	0.74
Net charge-offs to loans and leases	0.27	0.22	0.41	0.40	1.49	0.89	0.73	0.66
Loss provision to net charge-offs	158.48	158.14	124.27	163.13	97.88	80.89	123.14	112.73
Performance ratios (%)								
Percent of institutions unprofitable	9.08	9.73	2.68	2.52	3.33	2.31	5.00	2.13
Percent of institutions with earnings gains	49.51	54.58	64.29	68.18	66.00	77.69	72.50	68.09
Noninterest income to net operating revenue	42.18	40.38	32.23	34.33	46.10	44.04	42.04	45.45
Noninterest expense to net operating revenue	66.90	73.36	61.79	62.47	55.54	55.21	64.53	58.55
Condition ratios (%)								
Nonperforming assets to assets	0.77	0.70	0.61	0.64	0.72	0.60	0.65	0.70
Noncurrent loans to loans	1.12	1.01	0.86	0.90	1.04	0.86	0.89	0.98
Loss reserve to noncurrent loans	122.86	131.40	170.02	163.60	239.23	242.72	203.63	186.68
Loss reserve to loans	1.37	1.33	1.46	1.46	2.49	2.10	1.81	1.83
Equity capital to assets	11.10	11.03	9.82	9.34	10.46	9.85	8.37	8.24
Leverage ratio	10.62	10.95	9.27	9.16	8.78	8.75	6.98	7.09
Risk-based capital ratio	18.27	18.38	15.28	14.62	13.37	13.47	11.15	11.39
Net loans and leases to assets	57.05	57.45	59.82	61.07	63.13	61.99	63.75	63.30
Securities to assets	26.79	27.75	27.02	26.72	18.77	23.22	14.12	15.18
Appreciation in securities (% of par)	1.32	–1.37	1.57	–1.53	1.64	–1.65	1.35	–1.82
Residential mortgage assets to assets	22.03	21.58	25.64	25.28	23.67	27.05	19.20	18.81
Total deposits to assets	85.22	84.48	81.39	80.47	63.34	64.29	65.17	64.75
Core deposits to assets	73.85	72.78	70.05	68.78	54.31	55.93	44.95	43.68
Volatile liabilities to assets	12.82	13.90	16.60	18.30	28.16	26.79	35.46	36.97

Loan performance, FDIC-insured national banks by asset size
Third quarter 1998 and third quarter 1999

(Dollar figures in millions)

	Less than $100M		$100M to $1B		$1B to $10B		Greater than $10B	
	1998Q3	1999Q3	1998Q3	1999Q3	1998Q3	1999Q3	1998Q3	1999Q3
Percent of loans past due 30–89 days								
Total loans and leases	1.44	1.25	1.23	1.18	1.62	1.25	1.07	1.15
Loans secured by real estate (RE)	1.25	1.05	0.95	0.86	1.13	0.89	1.23	1.17
1–4 family residential mortgages	1.57	1.38	1.14	1.09	1.16	1.03	1.54	1.37
Home equity loans	0.72	0.70	0.89	0.79	0.99	0.89	0.82	0.73
Multifamily residential mortgages	0.50	0.73	0.57	0.61	1.05	0.25	0.71	2.52
Commercial RE loans	0.94	0.70	0.72	0.65	0.95	0.66	0.77	0.67
Construction RE loans	1.28	1.04	1.03	0.78	1.69	1.14	1.14	1.07
Commercial and industrial loans*	2.56	2.18	1.73	1.60	1.26	0.94	0.58	0.64
Loans to individuals	2.04	1.94	1.98	2.18	2.48	2.21	2.42	2.74
Credit cards	2.45	2.34	3.01	3.92	2.63	2.51	2.69	2.59
Installment loans	2.02	1.92	1.75	1.70	2.22	1.94	2.26	2.84
All other loans and leases	N/A	N/A	N/A	N/A	1.13	1.26	0.37	0.70
Percent of loans noncurrent								
Total loans and leases	1.12	1.01	0.86	0.90	1.04	0.86	0.89	0.98
Loans secured by real estate (RE)	0.95	0.80	0.71	0.68	0.82	0.69	1.09	0.98
1–4 family residential mortgages	0.85	0.67	0.66	0.64	0.71	0.71	1.07	0.97
Home equity loans	0.49	0.30	0.32	0.32	0.54	0.35	0.40	0.32
Multifamily residential mortgages	0.46	0.54	0.46	0.47	0.64	0.31	1.03	0.56
Commercial RE loans	1.03	0.75	0.78	0.76	1.05	0.82	1.18	1.06
Construction RE loans	0.70	0.44	0.69	0.52	0.89	0.49	0.85	0.66
Commercial and industrial loans*	2.78	2.65	1.54	1.64	0.86	0.93	0.73	0.91
Loans to individuals	0.73	0.72	0.82	1.02	1.52	1.22	1.44	1.72
Credit cards	1.53	1.45	2.25	2.90	1.91	1.90	1.73	1.83
Installment loans	0.69	0.69	0.50	0.50	0.81	0.60	1.27	1.65
All other loans and leases	N/A	N/A	N/A	N/A	0.47	0.60	0.25	0.45
Percent of loans charged-off, net								
Total loans and leases	0.27	0.22	0.41	0.40	1.49	0.89	0.73	0.66
Loans secured by real estate (RE)	0.04	0.03	0.05	0.04	0.07	0.10	0.06	0.16
1–4 family residential mortgages	–0.01	0.05	0.05	0.05	0.08	0.13	0.08	0.24
Home equity loans	0.09	0.14	0.01	0.04	0.18	0.19	0.11	0.18
Multifamily residential mortgages	0.03	–0.03	0.03	–0.01	–0.02	0.05	0.38	0.01
Commercial RE loans	0.13	0.01	0.05	0.03	0.12	0.07	–0.13	0.06
Construction RE loans	0.04	0.02	0.06	0.03	–0.14	0.00	–0.02	0.02
Commercial and industrial loans*	0.73	0.75	0.55	0.45	0.27	0.55	0.43	0.43
Loans to individuals	0.79	0.46	1.71	1.83	4.03	2.91	2.49	2.72
Credit cards	3.17	0.27	6.55	6.72	5.75	5.09	4.40	4.27
Installment loans	0.64	0.55	0.62	0.54	0.92	0.94	1.30	1.64
All other loans and leases	N/A	N/A	N/A	N/A	0.33	0.26	1.06	0.20
Loans outstanding ($)								
Total loans and leases	$37,910	$35,228	$160,640	$163,771	$320,265	$246,497	$1,443,958	$1,620,495
Loans secured by real estate (RE)	21,280	19,914	95,440	98,096	127,286	119,044	498,720	569,816
1–4 family residential mortgages	10,505	9,447	44,995	44,416	64,268	58,519	248,551	285,934
Home equity loans	478	403	4,340	4,182	10,018	7,307	51,426	52,547
Multifamily residential mortgages	480	439	3,155	3,310	4,442	4,437	15,112	19,910
Commercial RE loans	5,944	5,794	31,610	33,734	35,892	35,408	119,994	137,345
Construction RE loans	1,500	1,506	7,560	8,376	10,826	11,815	35,385	42,670
Farmland loans	2,373	2,325	3,757	4,057	1,665	1,360	2,811	3,959
RE loans from foreign offices	0	0	24	23	175	197	25,440	27,452
Commercial and industrial loans	6,386	6,020	28,623	28,850	62,807	49,812	474,871	531,576
Loans to individuals	5,577	5,039	26,363	26,557	109,536	60,562	231,593	245,576
Credit cards	279	250	4,822	5,731	70,345	28,942	88,212	100,613
Installment loans	5,297	4,789	21,541	20,825	39,191	31,620	143,382	144,962
All other loans and leases	4,821	4,354	10,579	10,569	20,799	17,156	240,220	274,915
Less: Unearned income	153	101	365	301	163	77	1,446	1,388

* Includes “All other loans” for institutions $1 billion in asset size.

Key indicators, FDIC-insured national banks by region
Third quarter 1999
(Dollar figures in millions)

	Northeast	Southeast	Central	Midwest	Southwest	West	All institutions
Number of institutions reporting	263	325	492	473	585	245	2,383
Total employees (FTEs)	263,497	312,467	163,029	74,632	72,662	85,772	972,059
Selected income data ($)							
Net income	$3,214	$3,713	$1,629	$929	$637	$1,362	$11,484
Net interest income	7,716	9,272	4,548	2,559	1,960	3,341	29,396
Provision for loan losses	1,483	815	430	438	134	415	3,715
Noninterest income	8,692	6,013	2,920	2,012	819	2,894	23,352
Noninterest expense	9,867	8,597	4,611	2,569	1,701	3,629	30,973
Net operating income	3,225	3,727	1,627	1,018	642	1,360	11,600
Cash dividends declared	3,220	2,126	409	691	329	670	7,446
Net charge-offs to loan and lease reserve	1,276	723	371	438	143	419	3,370
Selected condition data ($)							
Total assets	861,239	1,095,002	546,140	241,882	206,600	276,449	3,227,312
Total loans and leases	530,071	698,692	366,071	165,596	119,001	186,559	2,065,991
Reserve for losses	11,680	11,539	5,390	2,942	1,546	4,602	37,699
Securities	141,341	185,987	97,558	39,245	54,553	40,648	559,331
Other real estate owned	580	544	163	84	122	188	1,680
Noncurrent loans and leases	7,328	5,141	3,223	1,362	1,258	1,528	19,842
Total deposits	575,366	706,986	349,426	160,022	160,883	188,741	2,141,424
Domestic deposits	339,738	619,483	314,695	151,855	158,605	180,634	1,765,010
Equity capital	70,893	93,140	44,325	20,358	17,327	30,837	276,881
Off-balance-sheet derivatives	4,572,607	6,063,565	1,317,342	37,776	29,026	136,697	12,157,012
Performance ratios (annualized %)							
Return on equity	18.13	15.85	14.72	18.57	14.78	17.75	16.59
Return on assets	1.50	1.36	1.21	1.54	1.24	1.97	1.43
Net interest income to assets	3.60	3.40	3.38	4.23	3.81	4.84	3.66
Loss provision to assets	0.69	0.30	0.32	0.72	0.26	0.60	0.46
Net operating income to assets	1.50	1.37	1.21	1.68	1.25	1.97	1.45
Noninterest income to assets	4.05	2.21	2.17	3.33	1.59	4.19	2.91
Noninterest expense to assets	4.60	3.15	3.43	4.24	3.31	5.26	3.86
Loss provision to loans and leases	1.12	0.47	0.48	1.06	0.45	0.89	0.72
Net charge-offs to loans and leases	0.96	0.42	0.41	1.06	0.48	0.89	0.66
Loss provision to net charge-offs	116.30	112.78	115.77	99.97	93.50	99.17	110.27
Performance ratios (%)							
Percent of institutions unprofitable	3.42	15.38	2.64	4.23	6.15	7.76	6.17
Percent of institutions with earnings gains	71.86	62.46	60.57	55.60	60.51	67.35	61.77
Noninterest income to net operating revenue	52.98	39.34	39.10	44.02	29.48	46.42	44.27
Noninterest expense to net operating revenue	60.13	56.24	61.74	56.19	61.20	58.20	58.72
Condition ratios (%)							
Nonperforming assets to assets	0.94	0.52	0.64	0.60	0.67	0.67	0.68
Noncurrent loans to loans	1.38	0.74	0.88	0.82	1.06	0.82	0.96
Loss reserve to noncurrent loans	159.38	224.44	167.21	215.92	122.84	301.25	190.00
Loss reserve to loans	2.20	1.65	1.47	1.78	1.30	2.47	1.82
Equity capital to assets	8.23	8.51	8.12	8.42	8.39	11.15	8.58
Leverage ratio	7.44	7.21	7.61	7.67	7.81	8.67	7.54
Risk-based capital ratio	12.35	11.34	11.59	12.23	13.11	12.67	11.93
Net loans and leases to assets	60.19	62.75	66.04	67.25	56.85	65.82	62.85
Securities to assets	16.41	16.99	17.86	16.22	26.40	14.70	17.33
Appreciation in securities (% of par)	–1.03	–2.50	–1.39	–1.28	–2.02	–1.59	–1.74
Residential mortgage assets to assets	14.99	25.35	19.51	20.16	23.36	17.24	20.39
Total deposits to assets	66.81	64.56	63.98	66.16	77.87	68.27	66.35
Core deposits to assets	33.41	49.68	50.15	56.64	66.97	58.01	47.76
Volatile liabilities to assets	45.61	31.92	32.31	25.35	21.41	23.88	33.78

Loan performance, FDIC-insured national banks by region
Third quarter 1999
(Dollar figures in millions)

	Northeast	Southeast	Central	Midwest	Southwest	West	All institutions
Percent of loans past due 30–89 days							
Total loans and leases	1.17	1.10	1.22	1.37	1.21	1.11	1.17
Loans secured by real estate (RE)	1.34	1.03	1.16	1.03	1.04	0.74	1.09
1–4 family residential mortgages	1.67	1.19	1.27	1.22	1.27	1.02	1.29
Home equity loans	0.89	0.69	0.88	0.68	0.63	0.52	0.75
Multifamily residential mortgages	0.35	4.41	0.60	0.91	0.37	0.20	1.91
Commercial RE loans	0.61	0.52	1.00	0.63	0.82	0.47	0.66
Construction RE loans	0.46	0.56	1.78	1.48	1.19	1.06	1.04
Commercial and industrial loans*	0.50	0.53	0.99	1.28	1.39	0.90	0.73
Loans to individuals	2.65	3.49	2.11	2.38	1.50	2.26	2.59
Credit cards	2.85	2.45	2.20	2.55	1.00	2.45	2.63
Installment loans	2.39	3.78	2.09	2.17	1.52	1.90	2.56
All other loans and leases	0.31	0.83	0.98	0.88	0.86	0.77	0.71
Percent of loans noncurrent							
Total loans and leases	1.38	0.74	0.88	0.82	1.06	0.82	0.96
Loans secured by real estate (RE)	1.38	0.77	0.92	0.62	1.01	0.56	0.90
1–4 family residential mortgages	1.11	0.84	1.09	0.53	0.75	0.68	0.89
Home equity loans	0.45	0.30	0.35	0.25	0.19	0.23	0.33
Multifamily residential mortgages	0.63	0.48	0.54	0.22	0.68	0.45	0.51
Commercial RE loans	1.50	0.87	0.95	0.77	1.40	0.53	0.96
Construction RE loans	0.71	0.51	0.75	0.57	0.68	0.55	0.61
Commercial and industrial loans*	1.17	0.67	1.01	0.92	1.49	1.04	0.96
Loans to individuals	2.45	1.40	0.85	1.19	0.41	1.29	1.56
Credit cards	2.20	1.47	1.34	1.63	0.57	1.81	1.89
Installment loans	2.77	1.39	0.75	0.63	0.40	0.34	1.34
All other loans and leases	0.43	0.31	0.57	0.63	1.28	0.37	0.46
Percent of loans charged-off, net							
Total loans and leases	0.96	0.42	0.41	1.06	0.48	0.89	0.66
Loans secured by real estate (RE)	0.07	0.22	0.07	0.19	0.06	0.01	0.13
1–4 family residential mortgages	0.10	0.31	0.05	0.28	0.02	0.12	0.19
Home equity loans	0.15	0.20	0.18	0.18	0.38	0.06	0.17
Multifamily residential mortgages	–0.05	0.05	0.07	–0.03	–0.03	0.00	0.02
Commercial RE loans	–0.02	0.09	0.03	0.13	0.12	–0.03	0.05
Construction RE loans	–0.13	0.11	0.04	0.03	0.00	–0.16	0.01
Commercial and industrial loans*	0.48	0.30	0.44	0.54	0.89	0.59	0.44
Loans to individuals	3.59	1.96	1.37	3.57	1.00	3.05	2.64
Credit cards	4.82	2.80	3.96	5.38	2.65	4.26	4.47
Installment loans	1.96	1.71	0.84	1.41	0.94	0.62	1.40
All other loans and leases	0.13	0.11	0.33	0.37	0.11	0.46	0.20
Loans outstanding ($)							
Total loans and leases	$530,071	$698,692	$366,071	$165,596	$119,001	$186,559	$2,065,991
Loans secured by real estate (RE)	153,495	311,913	147,885	66,274	50,679	76,626	806,872
1–4 family residential mortgages	77,212	174,987	64,702	33,051	20,964	27,399	398,316
Home equity loans	12,286	23,528	15,686	4,093	952	7,895	64,440
Multifamily residential mortgages	5,122	10,288	5,526	1,998	1,787	3,375	28,096
Commercial RE loans	28,069	75,189	45,638	17,575	18,693	27,117	212,281
Construction RE loans	5,823	21,994	13,520	6,537	6,668	9,825	64,367
Farmland loans	470	2,804	2,786	3,020	1,614	1,005	11,700
RE loans from foreign offices	24,512	3,122	27	0	0	10	27,672
Commercial and industrial loans	176,417	209,950	106,185	42,800	33,670	47,237	616,259
Loans to individuals	112,887	71,720	53,803	36,062	22,830	40,431	337,733
Credit cards	63,534	15,749	9,115	19,951	886	26,302	135,536
Installment loans	49,354	55,971	44,689	16,111	21,944	14,129	202,197
All other loans and leases	88,229	105,505	58,328	20,484	11,991	22,457	306,994
Less: Unearned income	957	395	130	24	169	192	1,867

*Includes "All other loans" for institutions under $1 billion in asset size.

Key indicators, FDIC-insured commercial banks
Annual 1995–1998, year-to-date through September 30, 1999, third quarter 1998, and third quarter 1999
(Dollar figures in millions)

	1995	1996	1997	1998	Preliminary 1999YTD	1998Q3	Preliminary 1999Q3
Number of institutions reporting	9,940	9,527	9,142	8,774	8,621	8,910	8,621
Total employees (FTEs)	1,484,421	1,489,186	1,538,408	1,627,050	1,632,245	1,597,759	1,632,245
Selected income data ($)							
Net income	$48,745	$52,350	$59,159	$61,800	$54,273	$15,044	$19,417
Net interest income	154,210	162,754	174,505	182,755	143,850	46,311	48,902
Provision for loan losses	12,603	16,285	19,850	22,215	15,606	6,525	5,288
Noninterest income	82,426	93,569	104,498	123,701	106,022	29,642	36,903
Noninterest expense	149,729	160,698	169,982	194,117	150,226	47,413	49,969
Net operating income	48,396	51,510	57,931	59,246	54,022	14,655	19,570
Cash dividends declared	31,053	38,791	42,540	41,003	35,869	10,091	12,879
Net charge-offs to loan and lease reserve	12,202	15,500	18,316	20,728	14,385	5,529	4,833
Selected condition data ($)							
Total assets	4,312,676	4,578,314	5,014,951	5,441,096	5,506,529	5,267,716	5,506,529
Total loans and leases	2,602,963	2,811,279	2,970,742	3,238,337	3,358,519	3,145,764	3,358,519
Reserve for losses	52,838	53,458	54,685	57,254	58,225	57,265	58,225
Securities	810,872	800,648	871,868	979,704	1,033,169	923,106	1,033,169
Other real estate owned	6,063	4,780	3,795	3,150	2,919	3,436	2,919
Noncurrent loans and leases	30,351	29,130	28,542	31,252	32,333	29,526	32,333
Total deposits	3,027,574	3,197,136	3,421,726	3,681,437	3,702,516	3,506,780	3,702,516
Domestic deposits	2,573,480	2,723,556	2,895,532	3,109,403	3,099,738	2,952,058	3,099,738
Equity capital	349,571	375,270	417,777	462,164	468,552	457,256	468,552
Off-balance-sheet derivatives	16,860,614	20,035,444	25,063,799	33,005,084	35,658,119	32,647,005	35,658,119
Performance ratios (annualized %)							
Return on equity	14.66	14.45	14.69	13.93	15.50	13.31	16.62
Return on assets	1.17	1.19	1.23	1.19	1.33	1.15	1.42
Net interest income to assets	3.71	3.70	3.64	3.51	3.51	3.54	3.57
Loss provision to assets	0.30	0.37	0.41	0.43	0.38	0.50	0.39
Net operating income to assets	1.16	1.17	1.21	1.14	1.32	1.12	1.43
Noninterest income to assets	1.98	2.13	2.18	2.37	2.59	2.27	2.69
Noninterest expense to assets	3.60	3.65	3.54	3.73	3.67	3.63	3.64
Loss provision to loans and leases	0.51	0.61	0.69	0.72	0.63	0.84	0.63
Net charge-offs to loans and leases	0.49	0.58	0.64	0.67	0.58	0.71	0.58
Loss provision to net charge-offs	103.28	105.07	108.37	104.87	108.50	113.02	109.46
Performance ratios (%)							
Percent of institutions unprofitable	3.55	4.28	4.85	6.09	6.69	5.94	6.76
Percent of institutions with earnings gains	67.53	70.78	68.38	61.36	58.96	57.08	61.44
Noninterest income to net operating revenue	34.83	36.50	37.45	40.37	42.43	39.03	43.01
Noninterest expense to net operating revenue	63.27	62.69	60.92	63.34	60.12	62.42	58.23
Condition ratios (%)							
Nonperforming assets to assets	0.85	0.75	0.66	0.65	0.66	0.65	0.66
Noncurrent loans to loans	1.17	1.04	0.96	0.97	0.96	0.94	0.96
Loss reserve to noncurrent loans	174.09	183.51	191.59	183.20	180.08	193.94	180.08
Loss reserve to loans	2.03	1.90	1.84	1.77	1.73	1.82	1.73
Equity capital to assets	8.11	8.20	8.33	8.49	8.51	8.68	8.51
Leverage ratio	7.61	7.64	7.56	7.54	7.81	7.70	7.81
Risk-based capital ratio	12.68	12.54	12.25	12.23	12.33	12.38	12.33
Net loans and leases to assets	59.13	60.24	58.15	58.46	59.93	58.63	59.93
Securities to assets	18.80	17.49	17.39	18.01	18.76	17.52	18.76
Appreciation in securities (% of par)	1.01	0.51	1.10	1.07	–1.61	1.66	–1.61
Residential mortgage assets to assets	20.31	19.79	20.03	20.93	20.76	20.43	20.76
Total deposits to assets	70.20	69.83	68.23	67.66	67.24	66.57	67.24
Core deposits to assets	53.47	52.45	50.06	49.40	48.15	48.45	48.15
Volatile liabilities to assets	29.68	30.71	31.92	31.68	33.39	32.25	33.39

Loan performance, FDIC-insured commercial banks

Annual 1995–1998, year-to-date through September 30, 1999, third quarter 1998, and third quarter 1999

(Dollar figures in millions)

	1995	1996	1997	1998	Preliminary 1999YTD	1998Q3	Preliminary 1999Q3
Percent of loans past due 30–89 days							
Total loans and leases	1.29	1.37	1.31	1.26	1.17	1.20	1.17
Loans secured by real estate (RE)	1.38	1.41	1.33	1.26	1.03	1.16	1.03
1–4 family residential mortgages	1.53	1.57	1.59	1.44	1.23	1.38	1.23
Home equity loans	1.09	1.06	0.96	0.98	0.75	0.86	0.75
Multifamily residential mortgages	0.99	1.19	1.11	0.87	1.26	0.72	1.26
Commercial RE loans	1.21	1.24	0.97	0.99	0.69	0.87	0.69
Construction RE loans	1.41	1.58	1.42	1.50	1.05	1.26	1.05
Commercial and industrial loans*	0.86	0.95	0.83	0.88	0.87	0.84	0.87
Loans to individuals	2.21	2.50	2.50	2.43	2.46	2.40	2.46
Credit cards	2.40	2.76	2.73	2.58	2.69	2.74	2.69
Installment loans	2.08	2.31	2.33	2.33	2.33	2.19	2.33
All other loans and leases	0.37	0.37	0.51	0.51	0.75	0.46	0.75
Percent of loans noncurrent							
Total loans and leases	1.17	1.04	0.96	0.97	0.96	0.94	0.96
Loans secured by real estate (RE)	1.39	1.20	1.01	0.91	0.82	0.94	0.82
1–4 family residential mortgages	0.88	0.99	0.94	0.88	0.83	0.89	0.83
Home equity loans	0.52	0.48	0.44	0.42	0.34	0.43	0.34
Multifamily residential mortgages	1.99	1.35	0.95	0.84	0.50	0.83	0.50
Commercial RE loans	2.02	1.61	1.21	0.95	0.85	1.03	0.85
Construction RE loans	2.75	1.38	0.97	0.81	0.68	0.89	0.68
Commercial and industrial loans*	1.19	0.98	0.86	0.99	1.15	0.96	1.15
Loans to individuals	1.22	1.36	1.47	1.52	1.45	1.42	1.45
Credit cards	1.58	1.91	2.18	2.22	1.99	2.04	1.99
Installment loans	0.97	0.97	0.98	1.06	1.16	1.02	1.16
All other loans and leases	0.30	0.22	0.25	0.34	0.43	0.27	0.43
Percent of loans charged-off, net							
Total loans and leases	0.49	0.58	0.64	0.67	0.58	0.71	0.58
Loans secured by real estate (RE)	0.18	0.10	0.06	0.05	0.07	0.05	0.10
1–4 family residential mortgages	0.11	0.08	0.08	0.07	0.10	0.07	0.14
Home equity loans	0.20	0.20	0.16	0.14	0.15	0.11	0.14
Multifamily residential mortgages	0.32	0.15	0.04	0.05	–0.01	0.17	–0.02
Commercial RE loans	0.32	0.09	0.01	0.00	0.02	–0.01	0.04
Construction RE loans	0.22	0.19	–0.02	0.01	0.03	0.00	0.02
Commercial and industrial loans*	0.25	0.26	0.28	0.42	0.51	0.40	0.53
Loans to individuals	1.73	2.28	2.70	2.69	2.30	2.62	2.28
Credit cards	3.40	4.35	5.11	5.19	4.50	5.15	4.38
Installment loans	0.66	0.89	1.04	1.04	0.99	0.99	1.11
All other loans and leases	–0.02	0.08	0.11	0.52	0.21	0.85	0.19
Loans outstanding ($)							
Total loans and leases	$2,602,963	$2,811,279	$2,970,742	$3,238,337	$3,358,519	$3,145,764	$3,358,519
Loans secured by real estate (RE)	1,080,116	1,139,018	1,244,985	1,345,570	1,428,705	1,300,513	1,428,705
1–4 family residential mortgages	546,808	570,122	620,599	668,678	689,811	642,453	689,811
Home equity loans	79,182	85,300	98,163	96,647	97,038	96,891	97,038
Multifamily residential mortgages	35,788	38,162	41,231	42,735	51,184	42,452	51,184
Commercial RE loans	298,533	315,989	341,522	371,056	403,823	357,566	403,823
Construction RE loans	68,696	76,399	88,242	106,723	123,935	102,490	123,935
Farmland loans	23,907	24,964	27,072	29,096	31,440	28,783	31,440
RE loans from foreign offices	27,202	28,083	28,157	30,635	31,474	29,878	31,474
Commercial and industrial loans	661,417	709,600	794,998	898,665	947,213	873,968	947,213
Loans to individuals	535,348	562,291	561,330	570,877	530,209	555,113	530,209
Credit cards	216,016	231,664	231,097	228,784	189,156	215,983	189,156
Installment loans	319,332	330,626	330,233	342,093	341,053	339,129	341,053
All other loans and leases	331,934	405,678	373,898	427,257	455,940	420,362	455,940
Less: Unearned income	5,853	5,308	4,469	4,032	3,548	4,192	3,548

*Includes “All other loans” for institutions under $1 billion in asset size.

Key indicators, FDIC-insured commercial banks by asset size
Third quarter 1998 and third quarter 1999

(Dollar figures in millions)

	Less than $100M		$100M to $1B		$1B to $10B		Greater than $10B	
	1998Q3	1999Q3	1998Q3	1999Q3	1998Q3	1999Q3	1998Q3	1999Q3
Number of institutions reporting	5,580	5,241	2,947	2,989	319	314	64	77
Total employees (FTEs)	121,644	112,225	306,967	301,705	313,531	279,539	855,617	938,776
Selected income data ($)								
Net income	$812	$680	$2,408	$2,471	$3,839	$3,411	$7,984	$12,855
Net interest income	2,709	2,534	7,641	7,886	10,130	8,774	25,831	29,708
Provision for loan losses	161	149	597	631	1,649	1,007	4,118	3,502
Noninterest income	979	794	2,970	3,020	6,975	5,866	18,717	27,222
Noninterest expense	2,424	2,253	6,547	6,700	9,665	8,306	28,777	32,710
Net operating income	816	682	2,378	2,480	3,751	3,449	7,710	12,959
Cash dividends declared	710	276	1,111	943	3,407	1,644	4,863	10,016
Net charge-offs to loan and lease reserve	98	85	399	382	1,601	973	3,431	3,393
Selected condition data ($)								
Total assets	257,431	245,429	730,907	743,073	955,323	875,749	3,324,055	3,642,278
Total loans and leases	153,307	147,743	450,219	470,077	619,131	558,891	1,923,106	2,181,808
Reserve for losses	2,225	2,105	6,826	6,937	12,997	10,326	35,216	38,857
Securities	67,599	66,892	192,773	193,126	197,220	207,945	465,515	565,207
Other real estate owned	311	273	761	692	576	454	1,787	1,500
Noncurrent loans and leases	1,654	1,491	3,975	3,969	6,441	4,912	17,456	21,962
Total deposits	219,379	207,946	601,532	604,346	641,347	598,302	2,044,523	2,291,922
Domestic deposits	219,327	207,942	599,470	602,291	624,452	587,078	1,508,809	1,702,426
Equity capital	28,750	26,797	71,650	70,074	93,940	81,221	262,916	290,460
Off-balance-sheet derivatives	943	221	9,824	8,722	132,030	91,124	33,312,173	36,150,782
Performance ratios (annualized %)								
Return on equity	11.39	10.06	13.68	14.28	16.54	17.02	12.27	17.68
Return on assets	1.27	1.11	1.33	1.35	1.62	1.58	0.97	1.41
Net interest income to assets	4.24	4.13	4.23	4.30	4.28	4.06	3.13	3.26
Loss provision to assets	0.25	0.24	0.33	0.34	0.70	0.47	0.50	0.38
Net operating income to assets	1.28	1.11	1.32	1.35	1.58	1.59	0.93	1.42
Noninterest income to assets	1.53	1.30	1.64	1.65	2.94	2.71	2.27	2.99
Noninterest expense to assets	3.79	3.67	3.62	3.65	4.08	3.84	3.48	3.59
Loss provision to loans and leases	0.42	0.40	0.54	0.55	1.07	0.73	0.86	0.64
Net charge-offs to loans and leases	0.26	0.23	0.36	0.33	1.04	0.71	0.72	0.62
Loss provision to net charge-offs	163.91	177.03	149.81	165.23	102.77	103.50	112.14	103.22
Performance ratios (%)								
Percent of institutions unprofitable	7.81	9.54	2.61	2.61	4.08	1.27	4.69	1.30
Percent of institutions with earnings gains	51.99	55.89	65.29	69.66	67.40	72.93	71.88	74.03
Noninterest income to net operating revenue	26.55	23.87	27.99	27.69	40.78	40.07	42.02	47.82
Noninterest expense to net operating revenue	65.74	67.70	61.70	61.43	56.50	56.73	64.60	57.46
Condition ratios (%)								
Nonperforming assets to assets	0.76	0.72	0.65	0.63	0.74	0.62	0.61	0.67
Noncurrent loans to loans	1.08	1.01	0.88	0.84	1.04	0.88	0.91	1.01
Loss reserve to noncurrent loans	134.52	141.17	171.71	174.77	201.78	210.23	201.75	176.93
Loss reserve to loans	1.45	1.42	1.52	1.48	2.10	1.85	1.83	1.78
Equity capital to assets	11.17	10.92	9.80	9.43	9.83	9.27	7.91	7.97
Leverage ratio	10.84	10.98	9.31	9.32	8.59	8.55	6.83	7.10
Risk-based capital ratio	18.02	17.91	15.08	14.59	13.19	13.16	11.35	11.49
Net loans and leases to assets	58.69	59.34	60.66	62.33	63.45	62.64	56.79	58.84
Securities to assets	26.26	27.25	26.37	25.99	20.64	23.74	14.00	15.52
Appreciation in securities (% of par)	1.35	–1.43	1.63	–1.44	1.56	–1.67	1.75	–1.66
Residential mortgage assets to assets	21.34	21.10	24.22	24.00	25.64	27.23	18.02	18.52
Total deposits to assets	85.22	84.73	82.30	81.33	67.13	68.32	61.51	62.93
Core deposits to assets	74.01	73.15	70.71	69.30	56.11	56.82	39.37	40.06
Volatile liabilities to assets	12.61	13.65	16.05	17.66	26.43	26.59	39.01	39.56

Loan performance, FDIC-insured commercial banks by asset size
Third quarter 1998 and third quarter 1999
(Dollar figures in millions)

	Less than $100M 1998Q3	Less than $100M 1999Q3	$100M to $1B 1998Q3	$100M to $1B 1999Q3	$1B to $10B 1998Q3	$1B to $10B 1999Q3	Greater than $10B 1998Q3	Greater than $10B 1999Q3
Percent of loans past due 30–89 days								
Total loans and leases	1.54	1.36	1.27	1.16	1.52	1.23	1.05	1.15
Loans secured by real estate (RE)	1.34	1.14	1.01	0.89	1.14	0.90	1.21	1.12
1–4 family residential mortgages	1.68	1.51	1.23	1.16	1.23	1.06	1.45	1.29
Home equity loans	0.86	0.71	0.87	0.75	0.95	0.81	0.83	0.73
Multifamily residential mortgages	0.66	0.73	0.57	0.59	0.78	0.33	0.75	1.87
Commercial RE loans	1.08	0.85	0.78	0.66	1.01	0.69	0.81	0.69
Construction RE loans	1.23	0.95	1.11	0.83	1.44	1.04	1.26	1.17
Commercial and industrial loans*	1.52	1.32	1.41	1.29	1.18	1.13	0.58	0.69
Loans to individuals	2.32	2.25	2.11	2.13	2.50	2.24	2.42	2.61
Credit cards	2.92	2.72	3.42	3.67	2.70	2.81	2.71	2.57
Installment loans	2.29	2.23	1.89	1.79	2.27	1.86	2.23	2.64
All other loans and leases	N/A	N/A	N/A	N/A	1.15	1.08	0.41	0.78
Percent of loans noncurrent								
Total loans and leases	1.08	1.01	0.88	0.84	1.04	0.88	0.91	1.01
Loans secured by real estate (RE)	0.90	0.80	0.76	0.67	0.87	0.75	1.04	0.92
1–4 family residential mortgages	0.83	0.73	0.70	0.66	0.80	0.78	1.00	0.90
Home equity loans	0.53	0.37	0.38	0.36	0.50	0.36	0.41	0.33
Multifamily residential mortgages	0.70	0.58	0.68	0.53	0.79	0.51	0.93	0.47
Commercial RE loans	0.91	0.79	0.82	0.68	1.07	0.78	1.15	1.01
Construction RE loans	0.70	0.52	0.87	0.61	0.85	0.71	0.95	0.72
Commercial and industrial loans*	1.47	1.46	1.26	1.29	0.96	1.11	0.81	1.06
Loans to individuals	0.93	0.86	0.77	0.87	1.52	1.07	1.55	1.74
Credit cards	1.85	1.89	1.79	2.31	1.95	1.85	2.13	2.02
Installment loans	0.89	0.82	0.59	0.56	1.03	0.56	1.17	1.55
All other loans and leases	N/A	N/A	N/A	N/A	0.49	0.58	0.24	0.43
Percent of loans charged-off, net								
Total loans and leases	0.26	0.23	0.36	0.33	1.04	0.71	0.72	0.62
Loans secured by real estate (RE)	0.05	0.04	0.05	0.04	0.07	0.07	0.05	0.13
1–4 family residential mortgages	0.04	0.06	0.06	0.05	0.06	0.10	0.08	0.19
Home equity loans	0.11	0.10	0.05	0.04	0.14	0.17	0.11	0.16
Multifamily residential mortgages	0.16	0.06	0.05	–0.01	0.02	–0.10	0.32	0.01
Commercial RE loans	0.06	0.02	0.04	0.03	0.11	0.05	–0.11	0.04
Construction RE loans	0.05	–0.10	0.03	0.02	–0.07	0.04	0.02	0.02
Commercial and industrial loans*	0.42	0.41	0.41	0.43	0.36	0.73	0.37	0.49
Loans to individuals	0.73	0.59	1.59	1.47	3.34	2.47	2.59	2.49
Credit cards	3.09	0.78	6.68	5.23	5.54	4.86	4.76	4.23
Installment loans	0.62	0.56	0.73	0.69	0.87	0.90	1.17	1.34
All other loans and leases	N/A	N/A	N/A	N/A	0.45	0.27	1.01	0.19
Loans outstanding ($)								
Total loans and leases	$153,307	$147,743	$450,219	$470,077	$619,131	$558,891	$1,923,106	$2,181,808
Loans secured by real estate (RE)	85,596	83,372	277,998	294,531	283,074	288,957	653,846	761,844
1–4 family residential mortgages	41,633	39,009	122,163	123,929	138,471	132,853	340,186	394,020
Home equity loans	1,933	1,833	12,761	12,513	19,679	17,284	62,518	65,408
Multifamily residential mortgages	1,823	1,766	9,146	9,958	11,776	10,795	19,707	28,665
Commercial RE loans	23,086	23,355	96,720	106,056	83,724	94,193	154,036	180,218
Construction RE loans	6,287	6,517	26,180	29,760	25,525	30,189	44,498	57,470
Farmland loans	10,824	10,892	10,983	12,262	3,548	3,272	3,428	5,015
RE loans from foreign offices	10	0	45	54	350	371	29,472	31,049
Commercial and industrial loans	25,273	24,861	81,420	84,137	127,781	121,468	639,494	716,747
Loans to individuals	22,166	20,789	65,578	65,473	167,644	112,117	299,725	331,830
Credit cards	1,008	831	9,527	11,652	87,960	44,545	117,488	132,128
Installment loans	21,158	19,958	56,051	53,821	79,684	67,572	182,237	199,702
All other loans and leases	20,822	19,069	26,343	26,811	41,378	36,872	331,819	373,188
Less: Unearned income	549	348	1,120	875	745	523	1,777	1,802

* Includes "All other loans" for institutions under $1 billion in asset size.

Key indicators, FDIC-insured commercial banks by region
Third quarter 1999
(Dollar figures in millions)

	Northeast	Southeast	Central	Midwest	Southwest	West	All institutions
Number of institutions reporting	682	1,442	1,877	2,219	1,467	934	8,621
Total employees (FTEs)	474,461	468,820	286,076	126,196	117,251	159,441	1,632,245
Selected income data ($)							
Net income	$6,949	$5,083	$2,868	$1,364	$961	$2,192	$19,417
Net interest income	14,533	13,285	7,938	3,961	3,007	6,178	48,902
Provision for loan losses	1,966	1,150	624	545	198	805	5,288
Noninterest income	17,042	8,045	4,430	2,382	1,104	3,900	36,903
Noninterest expense	18,342	12,244	7,496	3,604	2,518	5,765	49,969
Net operating income	6,964	5,098	2,876	1,473	966	2,193	19,570
Cash dividends declared	6,673	2,861	1,052	905	458	930	12,879
Net charge-offs to loan and lease reserve	1,961	973	504	501	189	703	4,833
Selected condition data ($)							
Total assets	1,892,275	1,493,757	931,401	373,897	306,669	508,530	5,506,529
Total loans and leases	1,005,839	964,844	617,354	253,257	175,301	341,924	3,358,519
Reserve for losses	19,965	15,257	8,772	4,339	2,321	7,571	58,225
Securities	326,729	276,968	183,232	71,952	86,324	87,964	1,033,169
Other real estate owned	857	841	346	200	257	418	2,919
Noncurrent loans and leases	13,059	7,111	5,074	2,110	1,841	3,138	32,333
Total deposits	1,199,361	999,641	624,984	268,679	244,178	365,673	3,702,516
Domestic deposits	762,020	904,333	578,637	260,513	241,900	352,334	3,099,738
Equity capital	149,640	128,330	76,453	33,331	26,757	54,041	468,552
Off-balance-sheet derivatives	27,931,144	6,126,267	1,376,461	38,604	29,622	156,021	35,658,119
Performance ratios (annualized %)							
Return on equity	18.60	15.79	15.08	16.61	14.46	16.40	16.62
Return on assets	1.46	1.37	1.25	1.46	1.26	1.74	1.42
Net interest income to assets	3.06	3.58	3.46	4.25	3.95	4.91	3.57
Loss provision to assets	0.41	0.31	0.27	0.58	0.26	0.64	0.39
Net operating income to assets	1.47	1.37	1.25	1.58	1.27	1.74	1.43
Noninterest income to assets	3.59	2.16	1.93	2.56	1.45	3.10	2.69
Noninterest expense to assets	3.86	3.30	3.27	3.87	3.31	4.58	3.64
Loss provision to loans and leases	0.78	0.48	0.41	0.87	0.46	0.95	0.63
Net charge-offs to loans and leases	0.78	0.41	0.33	0.80	0.44	0.83	0.58
Loss provision to net charge-offs	100.24	118.23	123.64	108.95	104.77	114.46	109.46
Performance ratios (%)							
Percent of institutions unprofitable	9.38	11.03	4.74	4.01	6.34	9.53	6.76
Percent of institutions with earnings gains	67.45	64.42	61.59	57.23	59.10	65.85	61.44
Noninterest income to net operating revenue	53.97	37.72	35.82	37.55	26.85	38.70	43.01
Noninterest expense to net operating revenue	58.09	57.40	60.61	56.81	61.27	57.20	58.23
Condition ratios (%)							
Nonperforming assets to assets	0.78	0.53	0.60	0.62	0.68	0.72	0.66
Noncurrent loans to loans	1.30	0.74	0.82	0.83	1.05	0.92	0.96
Loss reserve to noncurrent loans	152.88	214.56	172.87	205.60	126.09	241.31	180.08
Loss reserve to loans	1.98	1.58	1.42	1.71	1.32	2.21	1.73
Equity capital to assets	7.91	8.59	8.21	8.91	8.72	10.63	8.51
Leverage ratio	7.45	7.56	7.89	8.38	8.28	9.06	7.81
Risk-based capital ratio	12.45	11.75	11.97	13.04	13.86	13.01	12.33
Net loans and leases to assets	52.10	63.57	65.34	66.57	56.41	65.75	59.93
Securities to assets	17.27	18.54	19.67	19.24	28.15	17.30	18.76
Appreciation in securities (% of par)	–1.60	–1.85	–1.41	–1.23	–1.85	–1.36	–1.61
Residential mortgage assets to assets	17.01	25.88	21.51	20.02	23.44	17.19	20.76
Total deposits to assets	63.38	66.92	67.10	71.86	79.62	71.91	67.24
Core deposits to assets	32.79	52.82	53.73	62.61	67.57	59.00	48.15
Volatile liabilities to assets	44.89	29.30	30.28	21.12	20.75	24.92	33.39

Loan performance, FDIC-insured commercial banks by region
Third quarter 1999
(Dollar figures in millions)

	Northeast	Southeast	Central	Midwest	Southwest	West	All institutions
Percent of loans past due 30–89 days							
Total loans and leases	1.12	1.14	1.29	1.30	1.26	1.07	1.17
Loans secured by real estate (RE)	1.16	1.02	1.10	1.00	1.09	0.68	1.03
1–4 family residential mortgages	1.33	1.21	1.22	1.25	1.38	0.92	1.23
Home equity loans	0.80	0.72	0.85	0.72	0.75	0.54	0.75
Multifamily residential mortgages	0.36	3.37	0.65	0.73	0.39	0.22	1.26
Commercial RE loans	0.73	0.58	0.93	0.67	0.83	0.50	0.69
Construction RE loans	1.09	0.71	1.66	1.29	1.14	0.86	1.05
Commercial and industrial loans*	0.51	0.68	1.32	1.47	1.50	1.13	0.87
Loans to individuals	2.58	3.03	2.07	2.35	1.65	2.03	2.46
Credit cards	2.95	2.84	2.17	2.78	1.28	2.20	2.69
Installment loans	2.27	3.08	2.05	1.96	1.66	1.78	2.33
All other loans and leases	0.60	0.79	1.09	0.58	0.68	0.70	0.75
Percent of loans noncurrent							
Total loans and leases	1.30	0.74	0.82	0.83	1.05	0.92	0.96
Loans secured by real estate (RE)	1.10	0.72	0.80	0.64	0.94	0.68	0.82
1–4 family residential mortgages	0.93	0.79	0.88	0.55	0.81	0.79	0.83
Home equity loans	0.46	0.28	0.36	0.27	0.26	0.27	0.34
Multifamily residential mortgages	0.49	0.43	0.62	0.29	0.61	0.50	0.50
Commercial RE loans	1.22	0.76	0.80	0.70	1.15	0.65	0.85
Construction RE loans	0.99	0.59	0.74	0.56	0.61	0.71	0.68
Commercial and industrial loans*	1.43	0.73	1.01	1.20	1.64	1.34	1.15
Loans to individuals	2.22	1.25	0.79	1.13	0.51	1.15	1.45
Credit cards	2.42	1.69	1.31	1.73	0.69	1.66	1.99
Installment loans	2.05	1.12	0.70	0.60	0.51	0.37	1.16
All other loans and leases	0.41	0.30	0.52	0.43	1.01	0.42	0.43
Percent of loans charged-off, net							
Total loans and leases	0.78	0.41	0.33	0.80	0.44	0.83	0.58
Loans secured by real estate (RE)	0.06	0.17	0.05	0.13	0.05	0.04	0.10
1–4 family residential mortgages	0.08	0.25	0.06	0.19	0.04	0.12	0.14
Home equity loans	0.13	0.17	0.14	0.17	0.32	0.07	0.14
Multifamily residential mortgages	–0.12	0.03	0.03	–0.06	–0.02	0.03	–0.02
Commercial RE loans	0.00	0.07	0.02	0.12	0.07	0.00	0.04
Construction RE loans	–0.07	0.09	–0.01	0.01	0.00	–0.03	0.02
Commercial and industrial loans*	0.63	0.34	0.40	0.56	0.87	0.79	0.53
Loans to individuals	2.94	1.73	1.19	3.04	0.95	2.85	2.28
Credit cards	4.78	3.11	3.78	5.29	2.69	4.11	4.38
Installment loans	1.32	1.33	0.75	1.08	0.88	0.76	1.11
All other loans and leases	0.13	0.12	0.29	0.24	0.11	0.49	0.19
Loans outstanding ($)							
Total loans and leases	$1,005,839	$964,844	$617,354	$253,257	$175,301	$341,924	$3,358,519
Loans secured by real estate (RE)	326,392	471,253	278,396	113,044	81,537	158,083	1,428,705
1–4 family residential mortgages	179,587	247,059	127,372	52,219	33,355	50,219	689,811
Home equity loans	21,979	33,664	23,958	5,296	1,138	11,004	97,038
Multifamily residential mortgages	13,101	14,269	9,899	3,357	2,539	8,019	51,184
Commercial RE loans	69,788	122,783	85,043	31,128	30,510	64,570	403,823
Construction RE loans	13,201	44,145	24,284	10,977	10,607	20,721	123,935
Farmland loans	1,209	6,211	7,797	10,067	3,387	2,768	31,440
RE loans from foreign offices	27,527	3,122	43	0	0	782	31,474
Commercial and industrial loans	323,249	257,421	176,988	58,573	45,578	85,404	947,213
Loans to individuals	186,481	117,945	78,906	47,031	32,191	67,656	530,209
Credit cards	86,931	26,415	11,361	22,156	1,257	41,036	189,156
Installment loans	99,550	91,529	67,545	24,876	30,934	26,619	341,053
All other loans and leases	171,243	118,997	83,389	34,668	16,339	31,304	455,940
Less: Unearned income	1,527	771	324	60	344	522	3,548

*Includes "All other loans" for institutions under $1 billion in asset size.

Glossary

Data Sources

Data are from the Federal Financial Institutions Examination Council (FFIEC) Reports of Condition and Income (call reports) submitted by all FDIC-insured, national-chartered and state-chartered commercial banks and trust companies in the United States and its territories. Uninsured banks, savings banks, savings associations, and U.S. branches and agencies of foreign banks are excluded from these tables. All data are collected and presented based on the location of each reporting institution's main office. Reported data may include assets and liabilities located outside of the reporting institution's home state.

The data are stored on and retrieved from the OCC's Integrated Banking Information System (IBIS), which is obtained from the FDIC's Research Information System (RIS) database.

Computation Methodology

For performance ratios constructed by dividing an income statement (flow) item by a balance sheet (stock) item, the income item for the period was annualized (multiplied by the number of periods in a year) and divided by the average balance sheet item for the period (beginning-of-period amount plus end-of-period amount plus any interim periods, divided by the total number of periods). For "pooling-of-interest" mergers, prior period(s) balance sheet items of "acquired" institution(s) are included in balance sheet averages because the year-to-date income reported by the "acquirer" includes the year-to-date results of "acquired" institutions. No adjustments are made for "purchase accounting" mergers because the year-to-date income reported by the "acquirer" does not include the prior-to-merger results of "acquired" institutions.

Definitions

Commercial real estate loans—loans secured by nonfarm nonresidential properties.

Construction real estate loans—includes loans for all property types under construction, as well as loans for land acquisition and development.

Core deposits—the sum of transaction deposits plus savings deposits plus small time deposits (under $100,000).

IBIS—OCC's Integrated Banking Information System.

Leverage ratio—Tier 1 capital divided by adjusted tangible total assets.

Loans to individuals—includes outstanding credit card balances and other secured and unsecured installment loans.

Net charge-offs to loan and lease reserve—total loans and leases charged off (removed from balance sheet because of uncollectibility), less amounts recovered on loans and leases previously charged off.

Net loans and leases to assets—total loans and leases net of the reserve for losses.

Net operating income—income excluding discretionary transactions such as gains (or losses) on the sale of investment securities and extraordinary items. Income taxes subtracted from operating income have been adjusted to exclude the portion applicable to securities gains (or losses).

Net operating revenue—the sum of net interest income plus noninterest income.

Noncurrent loans and leases—the sum of loans and leases 90 days or more past due plus loans and leases in nonaccrual status.

Nonperforming assets—the sum of noncurrent loans and leases plus noncurrent debt securities and other assets plus other real estate owned.

Number of institutions reporting—the number of institutions that actually filed a financial report.

Off-balance-sheet derivatives—the notional value of futures and forwards, swaps, and options contracts; beginning March 31, 1995, new reporting detail permits the exclusion of spot foreign exchange contracts. For March 31, 1984 through December 31, 1985, only foreign exchange futures and forwards contracts were reported; beginning March 31, 1986, interest rate swaps contracts were reported; beginning March 31, 1990, banks began to report interest rate and other futures and forwards contracts, foreign exchange and other swaps contracts, and all types of option contracts.

Other real estate owned—primarily foreclosed property. Direct and indirect investments in real estate ventures are excluded. The amount is reflected net of valuation allowances.

Percent of institutions unprofitable—the percent of institutions with negative net income for the respective period.

Percent of institutions with earnings gains—the percent of institutions that increased their net income (or decreased their losses) compared to the same period a year earlier.

Reserve for losses—the sum of the allowance for loan and lease losses plus the allocated transfer risk reserve.

Residential mortgage assets—the sum of one- to four-family residential mortgages plus mortgage-backed securities.

Return on assets (ROA)—net income (including gains or losses on securities and extraordinary items) as a percentage of average total assets.

Return on equity (ROE)—net income (including gains or losses on securities and extraordinary items) as a percentage of average total equity capital.

Risk-based capital ratio—total capital divided by risk weighted assets.

Risk-weighted assets—assets adjusted for risk-based capital definitions which include on-balance-sheet as well as off-balance-sheet items multiplied by risk weights that range from zero to 100 percent.

Securities—excludes securities held in trading accounts. Effective March 31, 1994 with the full implementation of Financial Accounting Standard (FAS) 115, securities classified by banks as "held-to-maturity" are reported at their amortized cost, and securities classified a "available-for-sale" are reported at their current fair (market) values.

Securities gains (losses)—net pre-tax realized gains (losses) on held-to-maturity and available-for-sale securities.

Total capital—the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of common equity capital plus noncumulative perpetual preferred stock plus minority interest in consolidated subsidiaries less goodwill and other ineligible intangible assets. Tier 2 capital consists of subordinated debt plus intermediate-term preferred stock plus cumulative long-term preferred stock plus a portion of a bank's allowance for loan and lease losses. The amount of eligible intangibles (including mortgage servicing rights) included in Tier 1 capital and the amount of the allowance included in Tier 2 capital are limited in accordance with supervisory capital regulations.

Volatile liabilities—the sum of large-denomination time deposits plus foreign-office deposits plus federal funds purchased plus securities sold under agreements to repurchase plus other borrowings. Beginning March 31, 1994, new reporting detail permits the exclusion of other borrowed money with original maturity of more than one year; previously, all other borrowed money was included. Also beginning March 31, 1994, the newly reported "trading liabilities less revaluation losses on assets held in trading accounts" is included.

OCC Report to Congress on Year-2000 Activities—Third Quarter 1999

Executive Summary

- National banks have made excellent progress in preparing for the year 2000. As of September 30, 1999, 99.8 percent of 2,644 institutions supervised by the OCC received the highest supervisory rating, "satisfactory." Only six institutions received less than "satisfactory" ratings. The OCC is using a variety of enforcement tools to effect prompt remedial action by the few financial institutions that lag behind.
- The OCC has established an extensive fourth quarter supervision program to monitor the progress of individual institutions to ensure that all necessary changes are made in preparing for the year 2000.
- In September, the OCC and the other FFIEC agencies issued guidance on temporary balance-sheet growth due to unusual market responses to the century date change. This growth could occur if a banking organization were to receive unusually large deposit inflows or if corporate borrowers were to make unusual draws on their existing lines of credit, or request new lines, in response to a perceived need for extra liquidity during the century-date-change period.
- During the third quarter, the OCC and the other FFIEC agencies stepped up efforts to educate the public about the industry's year-2000 progress and our role in supervising institutions. The FFIEC agencies worked together to develop messages about the industry's progress and provide advice to bank customers. We also completed and distributed a video that explains what banks and regulators have done to address the year-2000 issue. At the same time, we initiated a series of public education events, featuring FFIEC principals.
- The OCC, in conjunction with the other FFIEC agencies, has developed contingency plans for late December 1999 through early January 2000. As part of our contingency planning efforts, the OCC is working closely with the President's Council on Year 2000 Conversion and will staff the Council's Information Coordination Center during the century-date-change rollover period.
- The OCC completed year-2000 renovations and validation of its mission-critical systems by November 1998 and is working closely with the Treasury Department and the President's Council to ensure that its internal systems will work properly during the century-date-change rollover.

Examinations of Financial Institutions

The OCC's comprehensive year-2000 supervision program, which includes on-site examinations and off-site reviews, examiner training, quality assurance procedures, and outreach programs, has been instrumental in ensuring that national banks address year-2000 concerns and take appropriate corrective actions well in advance of the century date change.

OCC examinations through September 30, 1999, show that 99.8 percent of 2,644 institutions supervised by the OCC (national banks, service providers, software vendors, federal branches, and credit card banks) were rated "satisfactory;" 0.2 percent (five institutions) received "needs improvement" ratings; and one institution received an "unsatisfactory" rating. The third quarter ratings are slightly better than the second quarter ratings, in which 99.1 percent of institutions were rated "satisfactory," 0.8 percent (20 institutions) were rated "needs improvement," and 0.1 percent (three institutions) were rated "unsatisfactory." Table 1 provides a summary of

Table 1—Year-2000 summary evaluations, by asset size, September 30, 1999

Evaluation	*<$100MM*	*$100MM to $500MM*	*$500MM to $1B*	*Over $1B*	*Overall percent (# Institutions)*
Satisfactory	*99.7%*	*99.8%*	*100%*	*100%*	*99.8%*
Needs Improvement	*0.2%*	*0.2%*	*0%*	*0%*	*0.2%*
Unsatisfactory	*0.1%*	*0%*	*0%*	*0%*	*<0.01%*

Source: OCC Year 2000 database

Table 2—Year-2000 summary evaluations: service providers and software vendors, September 30, 1999

Summary evaluation	*OCC-supervised MDPS*	*OCC-supervised SASRs*	*OCC -supervised IDCs*	*OCC-supervised institutions serving nonaffiliated institutions*	*Total*
Satisfactory	*5*	*4*	*32*	*58*	*99*
Needs Improvement	*0*	*0*	*2*	*0*	*2*
Unsatisfactory	*0*	*0*	*0*	*0*	*0*
Total	*5*	*4*	*34*	*58*	*101*

Source: OCC Year 2000 database

year-2000 ratings for national banks, federal branches and credit card banks by asset size.

Service providers and software vendors. The ratings for service providers and software vendors have not changed significantly since the second quarter.[1] Ninety-eight percent (99 institutions) of OCC-supervised service providers and software vendors received our highest supervision rating of "satisfactory." Only 2 percent of the service providers and software vendors (two institutions) received "needs improvement" ratings and none received "unsatisfactory" ratings. The OCC is conducting follow-up examinations of these two institutions to confirm that deficiencies are addressed adequately which may result in an upgrade in the rating. Table 2 provides a summary of third quarter year-2000 evaluations of OCC-supervised service providers and software companies.

The OCC and the other FFIEC agencies continue to gather information during examinations to assess the exposure of banks to service providers and software vendors that lag behind. As part of our contingency planning efforts, we also are assessing the capacity of highly rated service providers and software vendors to absorb clients of low-rated service providers in the unlikely event problems arise.

Customer risk assessment. All national banks implemented a due diligence process to assess year-2000 (Y2K) customer risk. As of September 30, 1999, 12 percent of national banks noted that Y2K-related credit problems could result in some Y2K-related defaults. However, only 0.5 percent of their entire portfolio of customers would be affected by Y2K-related credit problems. In addition, only 35 national banks (1.3 percent) have reduced credit lines out of concern that their customers had not adequately addressed Y2K risks.

Enforcement. The OCC has used a variety of enforcement tools to effect prompt remedial action by supervised institutions that lag behind. Overall, the OCC believes that the enforcement actions it has taken to date have been very successful in prompting lagging institutions to comply with FFIEC and OCC year-2000 policy. As of September 30, 1999, the OCC had entered into four safety and soundness orders, two cease-and-desist orders, nine formal agreements, 12 memorandums of understanding, 10 commitment letters, and 382 year-2000 supervisory directives. (See the second quarter Y2K report to Congress for a summary of these different types of enforcement actions [available upon request in writing to the OCC's Public Information Room, Mail Stop 1–5, Comptroller of the Currency, Washington, DC 20219 or by faxing your request to 202–874–4448].) Seventy-three institutions are operating under approved safety and soundness plans.

The FFIEC agencies have taken enforcement actions against three independent service providers that provide data processing services to hundreds of federally regulated financial institutions. Each of these three service providers committed, by a date certain, to correct year-2000 deficiencies within the systems it uses to support the operations of financial institution clients, including national banks.

Year-2000 Supervision Program

The OCC has completed at least three on-site year-2000 examinations of all OCC-supervised institutions

[1] The OCC and the other FFIEC agencies have been examining several hundred service providers and software vendors that provide mission-critical services and products to depository institutions. The OCC is the lead agency in examining five service providers under the Multi-Regional Data Processing Servicers (MDPS) program and four software vendors under the Shared Application Software Review (SASR) program. In addition, the OCC supervises and examines 34 independent data centers (IDCs) used by national banks and 58 banks and affiliated servicers that provide data processing services to nonaffiliated financial institutions.

since 1997.[2] The OCC completed additional year-2000 on-site examinations during the third quarter for a small number of institutions that continued to lag behind, banks in the OCC's large bank program, institutions that completed conversions of mission-critical systems during the quarter, and OCC-supervised service providers and software vendors. In addition, the OCC conducted quarterly reviews of each national bank to monitor bank preparations and follow up on any outstanding supervisory issues. During these examinations and quarterly reviews examiners assessed customer awareness efforts, liquidity planning, and cash management strategies. Examiners also encouraged national banks to establish procedures to ensure that computer systems remain year-2000 ready.

In late July and October 1999, the OCC sent letters to national bank CEOs outlining the year-2000 supervisory program for the remainder of 1999 and the century rollover period.

On August 24, 1999, the OCC hosted a conference with representatives of 22 automated teller machine (ATM) companies and the other FFIEC agencies to discuss supervisory concerns and to share information on testing, contingency planning, and customer communication issues. The regulators noted that customers and the media are likely to pay particular attention to ATM readiness as a bellwether of the overall readiness of the financial services industry. ATM companies noted that they have thoroughly tested their systems and stated that they are year-2000 ready.

On September 28, the OCC and the other FFIEC agencies issued guidance on temporary balance-sheet growth due to unusual market responses to the century date change. This growth could occur if a banking organization were to receive unusually large deposit inflows or if corporate borrowers make unusual draws on their existing lines of credit, or request new lines, in response to a perceived need for extra liquidity during the century-date-change period. Some organizations that experience significant year-2000-related asset growth may, despite prudent balance-sheet management techniques, also experience a temporary decline in their regulatory capital ratios as a result of responding to customers' needs over the century-date-change period. Such a decline has the potential to result in certain consequences for the organization under federal banking statutes and regulations. The OCC urges banks to contact the OCC to discuss options to address these issues. In assessing supervisory options, the OCC will consider whether the institution exercises prudent and responsible measures to manage its balance sheet, maintains a fundamentally sound financial condition, and provides evidence that any drop in capital ratios is temporary.

In early October, we sent additional guidance to examiners concerning our fourth quarter supervisory activities, century-date-change event management activities and quality assurance efforts. Fourth quarter supervisory activities will include monitoring of business resumption contingency plans, liquidity funding plans, customer awareness efforts, and capital and credit risk. We will test our processes for the century-date-change activities on November 4, 1999.

In mid-October, the FFIEC agencies sent a letter to service providers and software vendors that provide services to depository institutions. This letter outlines steps the FFIEC agencies plan to take during the century date change and agency expectations for the remainder of 1999 and early 2000.

Public Education

The OCC and the other federal financial institution regulators believe that the most effective means of assuring the public about the industry's readiness for the century date change is to raise public awareness about year-2000 issues and to explain how the industry and the regulators are addressing them. To maintain public confidence, the OCC and the other federal financial regulators have urged institutions to provide accurate and complete information to their customers about the year-2000 remediation efforts and the progress the industry is making to address year-2000 issues. In recent months, the OCC has observed that banks have increased year-2000 customer awareness efforts. For example, over 60 percent of OCC-supervised institutions have provided disclosures to customers either monthly or quarterly.

The FFIEC agencies also stepped up efforts to educate the general public on the industry's and regulators' efforts through a number of ways.

Video and brochure. The OCC and the other federal financial institution regulators developed and distributed "Year 2000: The Bottom Line" in September. This six-minute

[2] The first on-site examination occurred between July 1997 and June 1998 using the FFIEC's June 1997 year-2000 guidance. In June 1998, the FFIEC adopted the Phase II Workprogram. The Phase II examination procedures focus primarily on the validation (testing) and implementation phases of the year-2000 project plans and contingency plans. Using the Phase II procedures, the OCC completed two on-site examinations of all national banks and Federal branches and agencies by July 15, 1999. The first round of these examinations, which was completed in January 1999, focused primarily on determining if each institution had an adequate test plan in place prior to commencing its testing program. The second round of examinations concentrated on evaluating testing results, business resumption contingency plans, and customer risk assessments and customer awareness programs.

video on the financial services industry's readiness for the year 2000 features top-ranking officials of each agency explaining to the general public what the year-2000 issue is and the steps taken by banks and bank regulators to address the issue. The video also speaks directly to customers about steps they can take to be ready for the year 2000 and warns about year-2000 scams. We are encouraging banks to display the video in the bank lobby and at community outreach events. In addition to the video, the OCC produced and distributed a brochure that highlights the industry's progress and the important things bank customers should know about the year-2000 issue. That brochure, "Banks are Ready: Meeting the Y2K Challenge," notes that 99 percent of all national banks finished testing critical computer systems by mid-year and received our highest supervisory rating. It also advises customers of the risks of holding large amounts of cash and points out that the safest place for their money is in a federally insured financial institution.

Press conferences. The Comptroller and heads of the other FFIEC agencies held a press conference at the National Press Club in Washington, DC, on September 16 to report on the industry's progress in addressing the year-2000 issue. The Comptroller and other FFIEC principals met with the editorial board of *USA Today* on September 16. He also participated in a press conference and other press events (e.g., talk show appearances, briefings for print/magazine media, meetings with editorial boards) on September 21 in New York.

Newspaper article. On September 28, Comptroller Hawke sent a letter to 100 newspapers outlining the OCC and banking industry's efforts to be ready for the year 2000 and to counter false claims about the banking industry's year-2000 readiness. The letter has appeared in newspapers throughout the country.

Outreach. Through September 30, 1999, OCC representatives had participated in dozens of outreach meetings with various groups, including bankers and other representatives from the financial community. In conjunction with the other FFIEC agencies, we hold regular meetings to discuss year-2000 issues with representatives from the Bank Administration Institute, American Bankers Association, Independent Community Bankers of America, and other financial institution trade associations. The OCC also has worked with other FFIEC agencies to train foreign bank supervisors.

Hotline. Callers to the OCC's Customer Assistance hotline (1-800-613-6743) receive helpful information from our customer assistance specialists. To date, the Customer Assistance Group has received 34 calls on Y2K concerns. During the third quarter, we provided additional training for our customer assistance specialists and provided additional information to send to individuals requesting information.

International Activities

Today's global financial markets require cooperation and close coordination among financial sector supervisors and central banks, both within countries (including inside the United States) and across borders. Coordination will be especially important in the remaining months of 1999 and early 2000, as financial organizations and markets deal with the year-2000 challenge.

Financial market authorities and key market participants in major countries are making excellent progress in preparing for the century date change. The OCC continues to coordinate actively with global financial market authorities and key public and private sector groups on international year-2000 event management and communications plans for the year-2000 rollover period. Initiatives include the Information Coordination Center of the President's Council on Year 2000 Conversion, the Joint Year 2000 Council's Market Authorities Communications Services (MACS), the Basel Committee on Banking Supervision's Year 2000 Task Force, and the event management program of the Global 2000 Co-ordinating Group. Through these coordination efforts, the U.S. financial market supervisors, together with our key international counterparts, are defining the principles and conventions for cross-border multilateral communications among the global supervisory community over the year-2000 rollover period.

Contingency Planning

While the OCC is confident that the national banking industry will pass the century date change with flying colors, an important aspect of our job as regulators is to make contingency plans no matter how remote the likelihood is that we will need to implement them. In that spirit, we have developed contingency plans to respond to potential problems and to make sure consumers will maintain access to their money and services. We anticipate that as we get closer to the end of 1999, rumors and scare stories will increase. Consequently, we will continue to urge bank customers to contact their bank to help them sort fact from fiction.

Contingency Planning Working Group. The OCC chairs the FFIEC Year 2000 Contingency Planning Working Group to coordinate a variety of year-2000-related risks. Since its creation in October 1998, 10 subgroups have met monthly to develop recommendations and plans to better manage and mitigate potential year-2000 risks. The groups have developed contingency plans to address issues associated with communications, liquidity, infrastructure, key players, international payment systems, fraud, non-viable and viable institutions, service providers and software vendors, sharing supervisory resources, and event management.

OCC and FFIEC event management. The OCC, in conjunction with other FFIEC agencies, has developed an extensive event management plan for the century-date-change period. From December 20, 1999 through January 4, 2000, the OCC will contact every institution it supervises a minimum of three times to ensure that they identify significant operating, funding, or customer problems on a timely basis. The first contact will occur between December 20, 1999 and December 30, 1999. This contact will provide an update on the institution's operating performance and identify any adverse funding or customer trends prior to the actual century-date-change rollover. The second contact will take place concurrently with bank management's initial check to see if the bank's computer systems and building facilities operate properly on Saturday, January 1, 2000. Alternatively, we will contact banks that do not plan to staff their buildings during the century-date-change weekend on the morning of Monday, January 3, 2000. The third contact will be made after the first day's processing cycle, typically January 4, 2000, although some banks may complete their first day of processing on or before that date.

While these three contacts are the minimum number planned, additional contacts may be appropriate given perceived risk or complexity of the institution. For example, the OCC's strategy for the largest national banks calls for virtually continuous supervision during the century-date-change weekend. In addition, we also plan to monitor ATM switch companies and credit card processors closely on January 1, 2000. The OCC plans to have bank examiners on-site at approximately 50 institutions during the CDC weekend. Most of our other CDC activities will be conducted by phone.

CDC supervision coordination. As part of our contingency planning efforts, the OCC is working closely with other federal bank regulators to implement a centralized process of collecting and exchanging supervisory information during the century-date-change period. To minimize duplication and burden by coordinating supervision and non-supervisory information requests, the federal bank regulators recently established procedures for supervising institutions with multiple regulators. During the century date change, the lead regulator will be responsible for coordinating supervisory activities and coordinating requests for information. Accordingly, the lead regulator will hold coordination meetings with appropriate regulators and Federal Reserve Bank operations staff. A representative of the bank will be invited to attend and participate in all meetings.

Information Coordination Center. The OCC, along with the other FFIEC agencies, will participate in the Information Coordination Center (ICC) of the President's Council on Year 2000 Conversion. The OCC plans to staff the ICC from December 28, 1999 through January 5, 2000.

"Day One" plan. As an additional precautionary measure and to ensure the OCC is prepared for contingencies, the OCC developed a "Day One" plan. The "Day One" plan is a risk mitigation process that will focus on the time period immediately before, during, and after the century rollover weekend. The purpose of the plan is to assure that rollover to the year 2000 does not disrupt OCC core business processes. The focus of the OCC's "Day One" plan is on mission-critical systems, office locations, telecommunications, and infrastructure disruptions. OCC staff will monitor the status of OCC operations, detect problems, identify solutions, and offer recommendations to management for corrective action and implementation of contingency plans, if necessary. The OCC will conduct internal dry run tests of our "Day One" plan and will participate in all Treasury Department tests. During the rollover weekend, the OCC will report on the status of our internal systems to the Treasury Department and the ICC.

OCC Internal Remediation Efforts

The OCC renovated, validated, and implemented all mission-critical systems by November 30, 1998. To create an additional level of safety and to ensure that connected systems function properly, the OCC completed a simultaneous agency-wide test in March 1999. The test included multiple internal mission-critical systems, external parties, and infrastructure providers. The test confirmed that the OCC's entire computing environment can operate properly in the next century. The OCC completed two of three contingency testing cycles of mission-critical systems in February and July 1999. A third testing cycle is scheduled for November/December 1999. OCC business unit representatives also reviewed and updated system contingency plans in December 1998 and June 1999. The OCC developed and tested business resumption contingency plans for the OCC's five core business processes:

- bank supervision policies and procedures,
- strategic planning and systemic risk management,
- individual bank supervision,
- enforcement, and
- corporate activities.

The OCC established strict procedures to ensure any modifications to systems will not affect their year-2000-readiness.

Global Report—Executive Summary

The OCC's International Banking and Finance Department produces a semiannual "Global Report," which provides an analysis of economic and financial developments affecting the operating environment of globally active financial institutions. Published here is an executive summary of the full November 1999 "Global Report." You may obtain a copy of the "Global Report" by writing to the OCC's Public Information Room, Mail Stop 1–5, Comptroller of the Currency, Washington, DC 20219, or by faxing your request to (202) 874–4448. The report is also available on the World Wide Web at http://www.occ.treas.gov/global.pdf. If you have questions about the report's contents, you may reach the International Banking and Finance staff at (202) 874–4730.

International Economic and Financial Market Developments

A Global Overview

Evidence of an acceleration in the pace of global growth has become more pronounced since the summer. As a result, any lingering concern that the financial crisis would deteriorate into a major world economic deflationary slowdown has been dispelled. Analysts continue to anticipate that the U.S. economy will pause to take a breath next year, but they are confident that a stronger Europe will pick up the slack. Although Japan continues to sputter, it is out of recession, and the emerging world is performing better than expected. Concern about year-2000 events is reflected in a heightened demand for liquidity but has, so far, not proved serious enough to disrupt global capital flows. U.S. banks remain cautious about expanding their foreign exposure.

U.S. banks may well face more volatility in financial markets, which must adjust to the new mix of risks flowing from international developments. The improvement in global growth prospects has led to rising interest rates. This creates a more challenging environment for securities, many of which have experienced dramatic gains in recent years. Although bond prices have fallen, equity markets remain at, or near, historic highs in a number of countries. The burgeoning U.S. current account deficit, which is projected to expand further despite the pickup abroad, also adds to the potential for volatility. So far, foreign demand for U.S. financial instruments has remained strong. However, a slowing domestic economy coupled with improved prospects overseas may shift the relative attractiveness of investments. Any significant change in sentiment will quickly spill over into foreign exchange and interest rate markets.

Developments in Key Foreign Financial Sectors

- *Western Europe.* Activity in Western European capital markets increased sharply over the past year, particularly for corporate bonds. That market is small but, with a large pool of euro funds now available for investment, may grow to become an important alternative to bank lending. The pace of banking sector mergers has also picked up, driven by efforts to build market share, avoid hostile bids, and to reap economies from restructuring banking and insurance sectors. Bank consolidation has revealed latent nationalism in various countries and merger proposals are being affected by cross-shareholding among financial firms and their commercial clients. As the mergers result in more complex financial entities, European supervisors are scrutinizing existing supervisory structures to ensure effective supervision.

- *Asia.* Asian financial sectors are recovering more slowly than their macro-economies. Apart from Korea and China, financial institutions are not lending. Since banks are the main suppliers of credit in Asian markets, this is leading some to question whether the economic rebound is sustainable unless lending resumes. Two main obstacles impede financial sector restructuring. Banks' resources are still inadequate to restructure corporate loans, despite the significant amounts of capital that has been raised and/or the transfer of some nonperforming loans to government agencies. In addition, the corporate sector is unwilling to give up ownership interest or to cede some measure of control to banks as a condition for debt restructuring.

- *Latin America.* In Latin America, banking sectors in Chile, Brazil, Argentina, and Venezuela have withstood recessions, higher external funding costs, and market volatility over the past year. However authorities had to intervene in institutions in Ecuador and Mexico and public banks in Colombia are in distress. Asset quality has suffered throughout the region, and credit growth has been flat. These conditions may stabilize, but may not improve soon. Leading banks (including foreign entities, which continue to expand) remain better positioned to withstand the stresses of the current economic environment because of their strong franchises, deeper capital bases, and ability to access domestic and international capital markets.

Summary of Major Points or Risks

- The consensus scenario calls for a gradual softening in the U.S. economy, with the current account deficit correspondingly shrinking, while overseas markets strengthen. If the United States fails to cool off, or the rest of the world picks up rapidly, competition for funds could cause significant volatility in international markets.

- Global equity markets appear vulnerable to a correction, which if deep enough has the potential to slow economic activity and to disrupt international capital flows.

- Unexpected developments stemming from the year-2000 date change remain a wild card.

- Japan remains weak and there is some concern it could fall back into recession, which would hamper recovery in the rest of Asia. China is struggling to effect massive economic restructuring; policy missteps or a public loss of confidence in the financial system could prove destabilizing with serious potential spillover effect on the region.

- In Europe, risks in the banking sector appear to have been increased by the pace of merger and acquisition activities; supervisory authorities will be pressed to keep up with developments in complex financial conglomerates.

- In Latin America, a pickup in the pace of economic recovery in 2000 will be pivotal in spurring credit growth and in reversing asset quality deterioration. Bank supervisors' efforts to strengthen the evaluation of loan quality and bank accounting practices, particularly in Brazil and Venezuela, will be noteworthy in the near term. Foreign bank expansion, led by Spanish institutions, will continue to play a significant role in the consolidation of banking sectors.

Recent Corporate Decisions

The OCC publishes monthly, in its publication *Interpretations and Actions,* corporate decisions that represent a new or changed policy, or present issues of general interest to the public or the banking industry. In addition, summaries of selected corporate decisions appear in each issue of the *Quarterly Journal.* In the third quarter of 1999, the following corporate decisions were of particular importance because they were precedent-setting or otherwise represented issues of importance. If the summary includes a decision or approval number, the OCC's decision document may be found in *Interpretations and Actions.* For decisions that have not been published yet, the summary includes the application control number which should be referenced in inquiries to the OCC regarding the decision.

Charters

On July 9, 1999, the OCC granted preliminary conditional approval to a proposal by Canadian Imperial Bank of Commerce, Toronto, Ontario, Canada, to charter a national bank titled CIBC National Bank, Maitland, Florida. The bank will deliver retail products and services through electronic channels such as telephone and the Internet, and will establish in-store banking kiosks on the premises of retail stores with which it has a joint marketing agreement. This program is based upon an existing program offered by CIBC in Canada known as "President's Choice Financial." Initially, the bank will establish kiosks in Winn-Dixie stores in Florida under the brand "MarketPlace Bank." Approval was granted subject to certain pre-opening requirements and ongoing conditions addressing capital, technology, and Internet security matters. [Conditional Approval No. 313]

On July 30, 1999, the OCC granted preliminary approval for Popular Inc. to establish a bank in Orlando, Florida, with the title of Banco Popular, National Association. In addition, the OCC granted approval for Banco Popular, National Association, to purchase certain assets and assume certain liabilities of the Culebra Branch of Banco Popular de Puerto Rico, San Juan, Puerto Rico. Banco Popular also applied to the Federal Reserve Board to establish a branch in Culebra, Puerto Rico, and for the bank to acquire, as an agreement corporation, an insurance agency in Culebra to conduct 12 USC 92 insurance agency activities. [Corporate Decision No. 99-22]

Mergers

On July 23, 1999, the OCC granted approval for Firstar Bank, NA, Cincinnati, Ohio, to merge with eight Mercantile Corporation bank subsidiaries. While the OCC did not receive any direct protests on the application, the OCC investigated the concerns received by the Federal Reserve Bank of Chicago in connection with the holding company merger application. The OCC's investigation and analysis of the issues raised indicated no basis for denying or conditionally approving the application. The OCC's approval letter addresses the issues. [Corporate Decision No. 99-31]

On August 11, 1999, the OCC granted approval for KeyBank Interim National Bank of Michigan, Ann Arbor, Michigan, to purchase and assume the Indiana and Michigan branch offices of KeyBank, National Association, Cleveland, Ohio, pursuant to 12 USC 24(Seventh), 36(c), 36(d), 1828(c), and 1831u. Also, on August 11, 1999, the OCC granted approval to KeyBank Interim National Bank of Michigan, Ann Arbor, Michigan, to merge with and into KeyBank, National Association, Cleveland, Ohio, pursuant to 12 USC 215a-1, 36(d), 1828(c), and 1831u. The resulting bank was authorized to retain and operate the offices of the merging banks under 12 USC 36(d) and 1831u(d)(1). [Corporate Decision No. 99-24]

On September 13, 1999, the OCC granted approval to AMCORE Financial Inc., Rockford, Illinois, to merge nine affiliated bank and thrift subsidiaries located in Illinois and Wisconsin into AMCORE Bank National Association, Rockford, Illinois. The resulting national bank will have branches in Illinois and Wisconsin. [Corporate Decision 99-28]

Branches

On July 1, 1999, the OCC granted approval for First National Bank, Pierre, South Dakota, to establish a mobile branch. The mobile branch will perform various banking services at two nursing homes in Pierre. If the bank desires to operate the mobile branch at additional locations, it must file a new branch application and publish notice indicating that the application will extend the previous branch approval to the specific additional locations. [Corporate Decision No. 99-16]

On July 28, 1999, relying upon the *Deposit Guaranty* precedent, the OCC granted approval to five applications by four national banks to establish *de novo* branches in Oklahoma. The national bank applicants were Bank of Oklahoma, Tulsa, Oklahoma; InterBank, N.A., Elk City, Oklahoma; First National Bank of Weatherford, Weatherford, Oklahoma; and First Fidelity Bank, N.A., Oklahoma City, Oklahoma. The OCC's decision followed the July 1, 1999 expiration of an Oklahoma statute imposing branching restrictions on state-chartered savings and loan associations, or thrifts. Three banks protested the proposed branches arguing that *Deposit Guaranty* did not apply. [Corporate Decision No. 99-20]

Operating Subsidiaries

On July 19, 1999, the OCC granted conditional approval for First Tennessee, National Association, Memphis, Tennessee, to establish two operating subsidiaries and make one direct investment in a joint venture for the purpose of holding a 50 percent, noncontrolling interest in a limited partnership that engages in real estate tax reporting services. Approval was granted subject to the OCC's standard conditions for noncontrolling investments by national banks. [Conditional Approval No. 317]

On July 21, 1999, the OCC granted conditional approval for National Bank of Commerce of Birmingham, Birmingham, Alabama, to participate through an operating subsidiary in a joint venture that will originate, process, service, and sell residential mortgages. Approval was granted subject to the OCC's standard conditions for noncontrolling investments by national banks. [Conditional Approval No. 318]

On July 30, 1999, the OCC granted conditional approval for PNC Bank, National Association, Pittsburgh, Pennsylvania, to expand the activities of an existing operating subsidiary and thereby make a noncontrolling investment in a Delaware limited liability company (LLC). The LLC's activities include title insurance agency and closing management services primarily to the bank. Approval was granted subject to the OCC's standard conditions for noncontrolling investments by national banks. [Application Control No. 1999-NE-08-0028]

On July 30, 1999, the OCC granted conditional approval for First Union National Bank, Charlotte, North Carolina, to make, through an existing operating subsidiary, a 50 percent, noncontrolling equity investment in a limited liability company (LLC). The LLC will engage in title insurance agency, real estate appraisal, loan closing, and other real estate loan-related and finder activities. Approval was granted subject to the OCC's standard conditions for noncontrolling investments by national banks. [Conditional Approval No. 322]

On August 17, 1999, the OCC granted conditional approval for The First National Bank of Chicago, Chicago, Illinois, and Mercantile Bank National Association, St. Louis, Missouri, (collectively the "banks"), to establish operating subsidiaries to own noncontrolling interests in a limited liability company (LLC) that engages in various cash management, electronic payment, and data processing services. The banks will transfer their existing interests in the LLC to the operating subsidiaries. Approval was granted subject to the OCC's standard conditions for noncontrolling investments by national banks. [Conditional Approval No. 324]

On September 14, 1999, the OCC granted conditional approval for LA Bank, National Association, Lake Ariel, Pennsylvania, to expand the activities of an existing operating subsidiary and thereby make a minority, noncontrolling investment in a Pennsylvania limited liability company (LLC). The LLC's activities include title insurance agency and closing management services primarily to the bank. Approval was granted subject to the OCC's standard conditions for noncontrolling investments by national banks. [Conditional Approval No. 327]

Insurance Subsidiaries

On July 28, 1999, the OCC granted conditional approval for National Bank of Commerce of Mississippi, Starkville, Mississippi, to establish an operating subsidiary for the purpose of acquiring two insurance agencies. The condition requires the bank to establish the legal permissibility of the subsidiary's activities, or restructure its activities to bring them into conformance with national banking law, within two years from the date it acquires the insurance agencies. [Conditional Approval No. 320]

On September 2, 1999, the OCC granted approval for Citibank, National Association, New York, New York, to establish an operating subsidiary to reinsure a portion of the mortgage insurance on loans serviced, originated, or purchased by the bank, the bank's mortgage company subsidiaries, and affiliates of the bank. Under the bank's reinsurance proposal, the subsidiary's reinsurance obligations will take the form of an "excess loss" arrangement. [Corporate Decision No. 99-26]

On September 20, 1999, the OCC granted approval for Chase Manhattan Bank USA, National Association, Wilmington, Delaware, to expand the activities of its mortgage reinsurance operating subsidiary to include reinsuring a portion of the mortgage insurance on loans serviced by the bank or the bank's lending affiliates. Under the bank's reinsurance proposal, the subsidiary's reinsurance obligations will take the form of either an "excess loss" or "quota share" arrangement. [Corporate Decision No. 99-32]

Reverse Stock Splits

On August 10, 1999, the OCC granted conditional approval to Merchants Bank of California, National Association, Carson, California, to elect the corporate governance provisions of California law, and to complete a reverse stock split in accordance with those provisions. The bank will provide dissenters' rights in accordance with state law and the conditions of approval. [Conditional Approval No. 323]

On September 21, 1999, the OCC granted conditional approval for West Michigan National Bank and Trust, Frankfort, Michigan, to elect the corporate governance provisions of Michigan law and complete a reverse stock split in accordance with those provisions. The bank will provide dissenters' rights in accordance with state law and the conditions of approval. [Conditional Approval No. 329]

Community Reinvestment Act Decisions

On August 17, 1999, the OCC granted conditional approval for Marquette National Bank, Chicago, Illinois, to establish two branches. In January 1998, the OCC assigned Marquette National Bank a CRA rating of "needs to improve." After reviewing the bank's progress in addressing its CRA weaknesses, the OCC determined that the imposition of enforceable conditions and a pre-opening requirement were appropriate and consistent with the Community Reinvestment Act and OCC policies thereunder. [CRA Decision No. 98]

On May 8, 1999, the OCC denied a branch relocation application from United National Bank, Monterey Park, California, since the bank had not adequately addressed its "needs to improve" CRA rating. The bank refiled the application after it had adopted a CRA plan acceptable to the OCC and had made improvements in its performance. On August 24, 1999, the OCC approved the relocation application but restricted the relocation so that it could not occur until the OCC conducts a Community Reinvestment Act examination of the bank, and the bank receives at least a "satisfactory" rating in the published public evaluation. [For May 8, 1999 decision, see CRA Decision No. 97; for August 24, 1999 decision, see CRA Decision No. 99]

Appeals Process

Appeal 1—Appeal of an OCC's Denial of Branch Relocation

Background

A bank formally appealed the OCC's denial of an application to relocate a particular branch to another location within the same city. Management's primary basis for the appeal was that they believed the relocation was favorable from an economic and Community Reinvestment Act (CRA) perspective. Management also believed that the bank had received inequitable treatment from the supervisory office.

Discussion

The OCC is required by law and regulation to take into account the bank's record of performance under the CRA when evaluating relocation (and other) applications. At the time of the relocation application, the bank's CRA record of performance was rated "needs to improve."

Conclusion

The denial was appropriate in light of the bank's CRA record of performance at the time of the decision. However, during the processing of the appeal, the bank informed the ombudsman that it had made an investment of $1.6 million in mortgage-backed securities through a particular public acceptance corporation.

In light of the recent qualified investment, and with an understanding of the economic benefit to the bank, the ombudsman opined that the OCC should approve the relocation with a "pre-consummation" requirement. Bank management was allowed to proceed with the lease negotiations; however, the branch could not relocate until a new relocation application was filed and approved, the supervisory office performed a CRA examination, and the bank received at least a "satisfactory" rating in its record of performance under the CRA. This decision was subject to the bank not encountering any severe financial, operational, or other difficulties before the new application was approved.

After careful consideration of all the facts and circumstances, the ombudsman found no evidence that the bank received inequitable treatment from the supervisory office.

Appeal 2—Appeal of a Denial of a FIRREA Section 914 Notice

Background

The ombudsman received an appeal of a denial of a Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) Section 914 notice of a bank's proposal to have an individual serve as a director for a troubled institution. The disapproval was based on the individual's involvement in a complex financial transaction while serving as an executive officer of another bank. The denial letter stated the lack of judgment displayed in the transaction reflected negatively on the individual's competence, character, and integrity. The appellate submission stated that the events that provided the basis for the OCC's denial should be viewed in a different perspective and the transaction serves as evidence of both the integrity and competence of the individual asking to serve.

Discussion and Conclusion

The statute, 12 USC 1831i(e), "Standard for Disapproval," states:

> The appropriate federal banking agency shall issue a notice of disapproval with respect to the notice submitted pursuant to subsection (a) if the competence, experience, character, or integrity of the individual with respect to whom such a notice is submitted indicates that it would not be in the best interests of the depositors of the depository institution or the best interest of the public to permit the individual to be employed by, or associated with, the depository institution or depository institution holding company.

In this case the ombudsman considered all aspects of the case including interviews with the board of directors of the institution where the transaction occurred, the person's experience in troubled institutions, and an interview of the individual asking to serve as a director. The information obtained in the ombudsman's review did not eliminate the concern caused by the transaction. In addition, the decision to disapprove the individual was not inconsistent with the provisions of 12 USC 1831i(e). Therefore, the ombudsman did not reverse the prior disapproval of the proposal to appoint the individual to the board of directors for the troubled institution.

Addendum: Given the personal nature of section 914 requests, specific details of the referenced financial transaction are not disclosed to maintain confidentiality.

Speeches and Congressional Testimony

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Of the Comptroller of the Currency:

Statement of John D. Hawke Jr., Comptroller of the Currency, before the Financial Institutions and Consumer Credit Subcommittee, U.S. House Committee on Banking and Financial Services, on bank customer privacy, Washington, D.C., July 21, 1999

Statement required by 12 USC 250: The views expressed herein are those of the Office of the Comptroller of the Currency and do not necessarily represent the views of the President.

Introduction

Madam Chairwoman, Congressman Vento, and members of the subcommittee, thank you for the opportunity to testify about an issue that has enormous ramifications for the banking industry and the customers it serves—financial privacy. I commend you, Madam Chairwoman, for holding this timely hearing on an issue that is generating increasing public attention and concern.

Fundamental to the relationship between banks and their customers is the trust that customers place in their banks to uphold the confidentiality of that relationship. In fact, the banking industry has had a long history of safeguarding customer confidentiality. A 1961 court case aptly described this tradition stating, "It is inconceivable that a bank would at any time consider itself at liberty to disclose the intimate details of its depositors' accounts. Inviolate secrecy is one of the inherent and fundamental precepts of the relationship of the bank and its customers or depositors."[1]

Today, however, this tradition is under pressure from technological advances and from the demands of a competitive marketplace that have placed a premium on the availability of personal information—often at the expense of personal privacy. Resistance to this pressure is of enormous importance, for if banks fail to honor customer expectations that personal information will be kept private and confidential, they will impair the most priceless asset of their banking franchise—their customers' trust. Thus, privacy is not just an important consumer issue; it is an issue with implications for the long-term vitality and stability of the banking system.

Banking is an information-driven industry. Bankers have always relied on access to personal financial information to make fundamental judgments about consumers' qualifications for financial products and services. Information exchanges thus serve a useful and critical market function that benefits consumers and financial institutions alike, in facilitating credit, investment, insurance, and other financial transactions.

Recent advances in technology that permit the efficient collection, storage, analysis, and dissemination of vast stores of information, coupled with the changing structure of the financial services industry and the development of efficient new delivery systems, have increased the market value of customer information. Passage of financial modernization legislation will further change the financial services landscape, permitting diverse financial companies to affiliate and to pool their customers' personal information. While financial conglomerates may profit from the cross-marketing opportunities occasioned by an expansion of powers and the "warehousing" and "mining" of personal data, and while consumers may benefit from the availability of a broader array of custom-tailored products and services, there is a serious risk that these developments may come at a price to individual privacy.

Until very recently, consumers knew little about the information-sharing practices of the companies that they patronized. As these practices become more widely known, however, the public appears ready to react against real or perceived abuses in the treatment of their personal information. When that information relates to financial or medical circumstances, customers are even less tolerant of perceived violations of privacy. Bank customers in particular, expect their banks to protect the confidentiality of their transactions.

A review of existing privacy laws and banking practices reveals that more can be done to assure the public about the responsible uses of financial information. H.R. 10, as passed by the House, adopts a measured approach that provides consumers with notice and choice about the information-sharing practices of financial institutions, without impeding the flow of information essential to doing business. This commonsense approach is a positive step in assuring consumers that their information will be handled appropriately and in providing consumers with increased control over their personal information. Customers are likely to expect more, however, and the challenge is how best to meet their reasonable expectations of privacy without defeating the potential benefits available from advances

[1] *Peterson* v. *Idaho First National Bank*, 367 P.2d 284,290 (Idaho 1961).

in technology and the new corporate affiliations that would be made possible by H.R. 10.

My testimony today will expand upon these concepts and address the questions posed by the chairwoman's letter of invitation.

Privacy Laws

The letter of invitation asked about existing laws and regulations that protect financial privacy. Although the United States does not have a comprehensive, universal privacy law, there are a number of legal provisions that help to ensure that consumer financial information will be treated as confidential.

On the federal level, the most significant of these laws is the Fair Credit Reporting Act (FCRA), which prohibits "consumer reporting agencies" from sharing information about consumers with third parties unless the third party has a "permissible purpose." The act enumerates with some precision just what these permissible purposes are. They include using customer information:

(1) in connection with a credit transaction or insurance underwriting involving the consumer;

(2) in other situations in which the third party has a legitimate business need for the information in connection with a business transaction that is initiated by the consumer;

(3) for employment purposes, such as hiring;

(4) in connection with "prescreened" transactions involving a "firm offer of credit or insurance," assuming the consumer has not elected to be excluded from such offers; and

(5) where the consumer has given written permission for the information to be shared.

These restrictions sharply curtail the circumstances in which the major credit bureaus and other central repositories can share the consumer financial information in their databases. They cannot, to note one important example, generally give out confidential information to telemarketing companies prospecting for sales.

Perhaps just as important as these limits on credit bureaus, from the standpoint of consumer financial privacy, are the limits that FCRA places on other business entities, such as banks, securities firms, and insurance companies. Roughly speaking, FCRA defines "consumer reporting agency" as any person or entity that furnishes "consumer reports."[2] Consumer reporting agencies are subject to a number of significant requirements under the act—including the information-sharing restrictions described above and related procedural requirements, accuracy standards, consumer access requirements, and dispute resolution procedures.

As a practical matter, unless they wish to become consumer reporting agencies subject to the requirements described above, banks and other financial firms may only share information that is not "consumer report" information, such as:

(1) information that relates solely to the institution's own transactions or experiences with the consumer; and

(2) any other information shared with affiliates, provided that the consumer is first given notice of the proposed affiliate information-sharing and an opportunity to "opt out"—that is, to object to the sharing of individual information.

Thus, FCRA does *not* provide consumers with the ability to object to, or prevent, the sharing of so-called transaction and experience information, which includes a wide range of sensitive information about individuals—not only loan repayment patterns, but also, for example, information from an insurance affiliate about one's medical insurance claim history. Moreover, this information may be shared with affiliates or with unrelated third parties, regardless of their intended use of the information. In this light, it is not at all surprising that much of the current debate about financial privacy revolves around these provisions relating to "transaction and experience information."

Other federal laws concerning financial privacy are much more limited in scope, involving either disclosure of information-sharing practices or governmental access to information. In particular, the Electronic Fund Transfer Act (EFTA) and its implementing regulation, the Federal Reserve Board's Regulation E, require financial institutions to provide deposit account customers a general disclosure about when, in the ordinary course of business, the institution will share information about the consumer's account with affiliates or other third parties. These provisions require only disclosures, however, and do not impose any substantive limits on the actual sharing of information or enable consumers to opt out of such sharing.

[2] The term "consumer report" means any communication of information by a consumer reporting agency that bears on a consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living, which is used or collected for a permissible purpose under FCRA.

The letter of invitation also inquired specifically about the Privacy Act of 1974 (Privacy Act) and the Right to Financial Privacy Act (RFPA). These laws provide controls over the federal government's collection, use, and disclosure of consumer financial information. Among other requirements, the Privacy Act permits a federal agency to maintain in its records "only such information about an individual as is relevant and necessary" to accomplish a required agency purpose, and, with certain exceptions, prohibits the agency from sharing that information with another agency or person without the consent of the individual in question. Thus, unless an exception applies, the federal government may share this information only if the individual "opts in."

In May 1998, the President issued an executive order directing all federal agencies to review their records and information systems to ensure compliance with the Privacy Act. The Office of the Comptroller of the Currency (OCC) promptly took appropriate actions to fulfill this mandate, including an inquiry to all employees to identify new or modified systems of records that might be covered by the act. We will ensure both that new and existing records systems are fully compliant with the Privacy Act.

RFPA deals specifically with federal government access to customer financial records at a financial institution. RFPA limits such access—as well as any further sharing of the information within the federal government—to specifically enumerated situations. As is the case with the Privacy Act, these exceptions generally represent a careful balancing of privacy interests with important bank supervisory, law enforcement, and other governmental functions. In response to your question, Madam Chairwoman, although I have no evidence that these laws are not effectively accomplishing their limited purposes, they deal with potential privacy intrusions by the federal government, and do not cover the private sector or even state governmental units.

State laws also provide some measure of protection for consumer financial information. As an initial matter, many states have enacted counterparts to the FCRA and EFTA, the primary federal laws discussed above relating to private sector financial privacy. The federal laws in question generally provide that state laws on the same subject matter will not be preempted unless inconsistent with the federal provisions—and then only to the extent of the inconsistency. Thus, the state and federal laws often comfortably coexist. There are important exceptions to this principle, however, the most important of which may be that any state law regarding the sharing of information with affiliates—whether "transaction and experience information" or other information—is specifically preempted by the FCRA until 2004. Thus, state law cannot provide *greater* protections for consumers than the FCRA in this regard.

In discussing state law, it also should be noted that common law principles—particularly a fiduciary duty of confidentiality owed by banks to their customers—may provide additional protections. As with state statutory law, however, these judicially recognized protections vary widely by jurisdiction, and do not provide equal protections to all U.S. consumers.

The letter also specifically asked about the OCC's regulatory authority with respect to financial privacy. While we cannot promulgate regulations or issue authoritative interpretations for any of the laws discussed above, the OCC, like the other federal banking agencies, has the authority to remedy violations of any federal or state law or regulation with respect to the entities we supervise. This authority is granted in section 8 of the Federal Deposit Insurance Act, and includes the authority both to order that the bank cease and desist from violating any such law or regulation and, in certain circumstances, to order reimbursement for harms.

I must note, however, that with respect to the FCRA—perhaps the most important federal law relating to financial privacy—our enforcement authority has been severely hampered by 1996 amendments that curtailed our ability to examine national banks for compliance with the act. In particular, we may examine a bank only in response to a complaint or if we "otherwise have knowledge" of a violation. No other consumer protection statute we enforce similarly limits our ability to examine banks for compliance.

OCC Privacy Initiatives and Bank Practices

Over the past year, the OCC has issued three advisory letters to national banks focusing on different elements of privacy—security of confidential customer information, compliance with existing legal requirements for consumer notice and choice regarding information sharing, and measures to address customer concerns about national banks' privacy practices in the Internet environment. Attached to my testimony are copies of these advisory letters.[3]

[3] The advisory letters referenced as attachments have been omitted. They are (1) AL 98–11: Pretext Phone Calling, August 20, 1998; (2) AL 99–3: Fair Credit Reporting Act, March 29, 1999; and (3) AL 99–6: Guidance to National Banks on Web Site Privacy Statements, May 4, 1999. Copies of these letters may be obtained by writing the Communications Division, Office of the Comptroller of the Currency, 250 E Street, SW, Washington, D.C. 20219. They are also available from the OCC Web site at http://www.occ.treas.gov/issue.htm.

Pretext calling. The first advisory letter, issued in August 1998 (AL 98–11), alerted banks to a deceptive practice that victimizes both the banks and their customers. The subject of that advisory was "pretext phone calling," a practice whereby account information brokers, posing as bank customers, gain improper access to confidential account information. In addition to warning banks about this practice, the advisory letter encourages them to establish clear guidelines, procedures, and internal controls to reduce the chances of unwitting and unauthorized disclosures of customer information by bank employees.

The OCC was initially alerted to pretext calling through its participation in an interagency bank fraud working group. In response, the OCC jointly prepared the advisory with the other banking and law enforcement agencies in the working group. Additionally, the OCC has previously testified before this committee in support of legislation aimed at curbing pretext calling. We generally support those provisions in H.R. 10, although we do have concerns about the enforcement authority.

FCRA affiliate information sharing. The second advisory letter, issued in March 1999 (AL 99-3), addressed banks' obligations under the FCRA to notify customers about affiliate information sharing and to provide customers with an opportunity to opt out of that sharing. The advisory letter discusses the most effective practices for meeting these requirements that the OCC observed among national banks. In doing so, the advisory features examples of notices that make bank information-handling practices more readily understandable and transparent to customers and procedures that provide convenient opt-out mechanisms.

This advisory was the product of the OCC's privacy working group, an interdisciplinary team that includes senior-level OCC officials, which was established to inform the Comptroller about financial privacy issues and to coordinate agency policy and initiatives. In assessing general industry privacy practices, working group members discovered that some bank FCRA affiliate-sharing notices were often buried in fine print in multipage agreements and provided customers with little useful information about the bank's information-sharing practices. Other notices, however, were clear, simple, and precise and provided information sufficient to allow bank customers to make informed choices about the sharing of their information. It is those notices we highlight in the guidance.

Internet privacy policies. Our third advisory, issued in May 1999 (AL 99–6), informed banks about effective practices for developing privacy policies, in general, and prominently posting those policies on bank Web sites. The advisory letter provides examples of the various mechanisms banks have employed to make their privacy policies easy to spot and easy to understand by Web site visitors. Additionally, the advisory discusses effective procedures used by large and small banks to establish privacy policies, encourage employee understanding of and compliance with stated policies, and address privacy-related inquiries and complaints from customers.

The OCC issued this guidance in response to a comprehensive survey conducted by the FTC last year that found a general failure of Web sites, including those operated by financial institutions, to post any disclosures about their information-handling practices. The OCC believes it is especially important for banks to reassure customers about the safeguarding of their personal information when information is communicated in an on-line environment. The advisory is intended to sensitize banks to some of the challenges posed by the Internet to consumer privacy and to give constructive examples for meeting these challenges.

OCC Privacy Policy

The OCC takes privacy issues seriously in its own operations. Last year we adopted a comprehensive new privacy policy, which was posted on our Web site in October 1998. The OCC's privacy policy is conspicuously listed on the opening page of our Web site.

Pursuant to our privacy policy, we do not collect or store information about members of the public who call or write the agency or visit our Web site, unless they identify themselves and ask for a response to an inquiry or request. We do, however, collect and store certain nonpersonal information about visitors to our Internet site when they log on to read or download information, such as OCC bulletins, alerts, or press releases, and this is disclosed in our privacy policy. We use this information simply to help us stay abreast of technical upgrades that can make our site more accessible to visitors, and to record the date and time of all visits to our site.[4] We do not attach "cookies" to the browsers of our visitors.

If visitors identify themselves when they contact us, appropriate agency employees may see this information.

[4] Specifically, we record the name of the domain from which a visitor accesses the Internet (for example, aol.com or princeton.edu); the Internet address of the Web site from which the visitor linked directly to our site, if any (for example, www.fdic.gov, if the visitor linked to the OCC from the FDIC Web site, or www.yahoo.com, if the OCC Web site was located using the Yahoo search engine); the type of Web browsing software used to view our site; and the date and time the visitor accessed our site.

We adhere to the following principles in handling information provided by members of the general public:

- We use personally identifying information only for the purpose for which it is originally collected.
- We maintain personally identifying information in secure computer systems and we limit employee access to those with a business reason to see it.
- We do not disclose personally identifying information to anyone outside the OCC, except where compelled by law or in connection with a criminal investigation.

Public Policy Responses

Maintaining the public's confidence in the banking system has long been a critically important national policy objective. In furtherance of that objective, we have a program of federal deposit insurance and a comprehensive system of bank licensing, supervision, and regulation. Another critical factor in upholding public confidence in the banking system has been the assurance that banks will honor customers' expectations that information provided or maintained in connection with their financial transactions will be kept in confidence. Traditionally, national banks have earned the public's trust in this regard by honoring those expectations.

However, developments in the marketplace are affecting the public's concerns about privacy in ways that were not contemplated until fairly recently. Indeed, these concerns have evolved since the enactment of the laws dealing with the collection and use of financial information that I previously mentioned. These developments, and the consequent evolution of public concerns, explain why we are engaged in this public policy debate on privacy.

One reason for the increased public concern about privacy is the explosion of information technology. Today, personal information about individuals can be accessed, reviewed, combined, rearranged, and transferred with just a few keystrokes. Information about a person's financial or medical condition, buying habits, and other characteristics—down to the most personal level—can be used to create profiles for marketing or for developing new products. As a result of changes in technology, information is an increasingly valuable commodity.

Financial institutions have generally safeguarded customer information—not only to preserve the trust and goodwill of their customers—but also to protect what the institutions consider to be proprietary information. However, it is now possible to create huge databases that can be easily shared among affiliates due to improvements in technology. And with the development of speedy electronic marketing and delivery systems, institutions are using customer information for purposes other than those for which it was originally provided or maintained. Centralized customer databases within new financial conglomerates offer the promise of increased business opportunities, lower costs, and improved financial products and services for consumers. Information technology now enables combined financial services companies to offer one-stop shopping to customers and to adapt products to their customers' changing financial needs over the course of a lifetime.

At the same time, however, the commoditization of information, and the pace and magnitude of mergers and affiliations in the financial services industry—which will be accelerated with financial modernization legislation—have sharpened privacy concerns. Obviously, affiliations among diverse sectors of the financial services industry offer tremendous opportunities for these companies to operate in complementary ways, achieve efficiencies, and expand through cross-marketing of products to customers. However, these new combinations also fuel both the perception and reality that individuals are losing control over their personal information. When the information is highly sensitive, such as medical and financial information, consumer concern over who has control over its disposition is magnified.

The banking industry has recognized the need to respond to consumer privacy concerns. Banking trade groups are to be commended for developing a common set of privacy principles that explicitly recognize a customer's expectation of privacy, and it appears that an increasing number of banks are adopting this model. Financial institutions clearly have the capacity to react swiftly to concerns about abusive practices, as we have seen recently when several major banks discontinued their practice of selling customer account information to third-party telemarketers. I applaud these banks for their prompt responses when this privacy issue became known.

Let me now turn to the current legislation. The privacy provisions in H.R. 10 embody the important elements of notice and choice—a concept already contained in the Fair Credit Reporting Act, and one with which financial institutions are very familiar. When administered properly, notice and choice enable consumers to make informed decisions about the disposition of their personal information and maintain control over their information. We have learned through our research as part of the Consumer Electronic Payments Task Force, and survey data bear this out, that consumers have different levels of sensitivity to privacy. Notice and choice allow those consumers who place a premium on privacy to protect that privacy at the expense of forgoing certain marketing opportunities or even beneficial treatment from their financial institutions in the form of cost savings. On the other hand, consumers without the same desire for privacy may choose to relax confidentiality in exchange for the benefits that they perceive will result from information sharing. The bottom line is that it is the consumer's choice to give up or retain personal privacy—not the institution's.

The privacy provisions in H.R. 10 will enhance the notice and choice requirements already existent under FCRA. The existing law limits the sharing of certain information among affiliated companies unless consumers are provided with notice about the sharing and an opportunity to opt out of that sharing. However, as I noted above, the banking agencies are presently hamstrung in their ability to enforce these provisions. H.R. 10 will restore the agencies' examination authority.

Additionally, and equally significant, H.R. 10 will give the banking agencies the authority to implement FCRA by regulation. As previously mentioned, the OCC has seen a number of affiliate-sharing "opt out" notices that are virtually invisible to the consumer and meaningless in their content. Regulatory authority should allow the banking agencies to prescribe meaningful and uniform standards for these notices. Also, since we published the advisory about affiliate information-sharing requirements in May, we have received a number of inquiries from banks and their attorneys about the meaning of various ambiguous provisions of the FCRA. The rulemaking authority in H.R. 10 will enable the agencies to deal with the complex—and evolving—nature of the issues presented, pursuant to a public notice and comment process, that will permit adjustments to be made, if and when changing circumstances warrant.

The scope of personal information that H.R. 10 protects against disclosure will address a major exception in current law—transaction and experience information. Under FCRA, companies can freely share the confidential information that they derive from their relationship with their customers, including account type and balances, payment history, credit limits, and amount and date of last payment. In the recent matter involving a bank's transfer to telemarketers of confidential customer information, including credit card and checking account numbers, much of the personal information shared was transaction and experience information. H.R. 10 would expressly prohibit the sharing of account numbers and would require notice and consumer choice with respect to the sharing of the personal information implicated in this case.

In my view, however, a serious question can be raised whether H.R. 10 goes far enough in protecting the confidence customers have in the confidentiality of their relationships with their bank, and it draws a distinction between information sharing with affiliates and nonaffiliates that may not be relevant for customers. In his May 4 proposal regarding privacy, the President indicated his support for legislation that would give consumers control over the use and sharing of *all* their financial information, both among affiliates and nonaffiliated third parties. H.R. 10 is a good first step in meeting that goal, but I believe that customers will reasonably expect more. Is it realistic to think that customers will distinguish between situations when their confidential information is transferred to affiliates vs. nonaffiliates of their bank? Would customers believe that the legislation adequately covers their reasonable expectations regarding the use and transfer of their confidential information? If the answers to these questions are in the negative, the failure to provide protection for the sharing of information with affiliates could have a profound effect—particularly in a world of expanded financial conglomeration—on the willingness of customers to maintain the kinds of relationships with the banking system they have had in the past. While the desire of bankers to take advantage of new cross-marketing opportunities is entirely understandable, I believe that a primary objective of policy makers should be to assure that doing so does not cause fundamental damage to the banking system.

Conclusion

I again thank the chairwoman and other members of the subcommittee for this opportunity to testify on this important issue. I cannot overstate the importance of addressing consumer expectations about the confidential treatment of financial information to maintaining the public's confidence in the banking system. And I urge that, in crafting an appropriate response to consumer privacy concerns, banks and Congress put themselves in the shoes of a customer and ask, "Will my financial institution use my personal information in a manner consistent with my expectations?" and "Will I have any control over the use of my information?" Whatever legislative formulation ultimately results, American consumers deserve to be able to answer "Yes" to those questions.

Remarks by John D. Hawke Jr., Comptroller of the Currency, before the Bank Administration Institute Board of Directors, on the improvement of bank supervision, Washington, D.C., September 22, 1999

I recently learned of a poll being sponsored by a leading media conglomerate to identify the best popular song—not of the year, the decade, or the century, but of the millennium. Those of you who know about my love affair with Italy will not be surprised to learn that my nomination is any song by Francesco Landini, the musical sensation of fourteenth century Florence—although admittedly his recordings are not easy to come by.

But the poll organizers have the right idea. Significant calendar changes—and I can hardly think of a more significant one than the year 2000—are natural watersheds: the time for sizing up the triumphs—and mistakes—of the past. We've had plenty of both in banking during this century, and both—the successes *and* the failures—have something to teach us about the challenges we face today. What history has to offer as guidance for the future is the subject I'd like to discuss with you this evening.

The twentieth century has seen three major banking crises, along with a host of minor ones. Each had its own peculiar characteristics. The crisis of 1907 to 1909—they were called "panics" back then—was the result of seasonal currency flows from the cities to the countryside that left too little cash in vault to sustain public confidence in the money center banks. The crisis of 1930 to 1933 stemmed from a variety of factors: overchartering in the 1920s, lax credit underwriting standards, and low (or nonexistent) capital requirements. The crisis of the late 1980s and early '90s was related to, among other things, excessive portfolio concentrations, cutthroat competition in the financial sector, and macroeconomic instability.

Yet, while they differed in significant respects, these three crises had some significant commonalities. In each case, bankers made business decisions that were valid under one set of circumstances, but that unraveled when those circumstances changed, as they inevitably did. There was a mismatch in time horizons—between the bankers' planning and vision, on the one hand, and the length of the commitments they undertook, on the other. They weren't adequately prepared for future contingencies. Their own optimism—or external pressures from competitors or shareholders—overtook good business sense.

In all three crises, although the events were different, the sequence they followed was much the same. In each case, the decisions that determined the industry's fate were those made in the flush of prosperity, when competition was vigorous, when even marginal borrowers had positive cash flows, and when every deal turned a profit—at least at first. Then as now, to paraphrase Thomas Paine, the good times are the times that try the banker's character—times when the pressures to ease loan underwriting standards, to cut back on internal controls, to reduce reserves, and generally to get caught up with a fast crowd, are hardest to resist.

And in each case, the bankers who yielded to these temptations almost invariably came to regret it. They learned from unhappy experience what they presumably already knew in theory: that sacrificing long-term strategic goals for the sake of a short-term earnings boost is a mistake. They learned that maintaining a cool head and a clear vision in feverish times is often what separates the corporate survivors from the victims.

Each crisis that I've mentioned has something to teach us; together, they're even more meaningful. But we probably have the most to learn from the most recent of these crises, if only because the circumstances that preceded it most closely resemble those we see today. Moreover, the participants and the principals are still with us to lend us their own recollections and unique insights. In a recent Federal Deposit Insurance Corporation (FDIC)-sponsored symposium on the lessons of the '80s, John Medlin, the highly regarded former CEO of Wachovia, declared that the root cause of the last wave of bank failures was not the *kind* of loans that bankers made—energy, real estate, Third World, or what have you—but the terms on which they were made. In the late 1980s, he said, "The dumbest and weakest competitors in the marketplace set the basic standard of pricing and credit terms." It was a race to the bottom, and, in his informed judgment, the primary responsibility for the disasters that followed rested with those who knew better but lacked the will—the courage—to take a stand for sanity in the financial marketplace.

That observation should have special meaning for us today. For several years, Office of the Comptroller of the Currency (OCC) examiners have been reporting a troubling incidence of loans with structural weaknesses. We're seeing loans based on dubious business assumptions about the future income and cash-generating capabilities of the borrower. We're seeing loans with equity-like features and risk characteristics. Some of these loans are based on so-called enterprise value, where loan amounts exceed the value of the borrower's underlying assets. And even though many of these loans are currently performing, we're beginning to see rising levels of missed payments, defaults, and bankruptcies among corporate borrowers.

What induces bankers to sign on to such deals is no mystery. In a sense, some banks are the victims of their own success. Repeated years of unprecedented earnings have raised the bar of success, and bankers feel compelled to jump ever higher if they are to meet investor expectations. With a limited number of good loans to be made, even in an expanding economy, and an increasing number of lenders eager to make them, the maintenance of market share must inevitably come at the expense of loan quality.

I appreciate that at a time of record profits, it may be unrealistic to expect bankers to trim back their profitability and growth targets, and to turn their attention to the structural weaknesses of loans booked months or years ago. Shareholders—especially those fixated on short-term performance—may react unfavorably to the diversion of earnings into loan loss reserves or to adding new staff to loan administration, audit, and workout departments. In fact, such additions run the risk of adverse reactions from the market, which can also be personally costly for the banker whose compensation is geared to the performance of the company's stock.

But banking is not simply a shareholder venture. It's also a business affected with a public interest. That's why banks are subject to government supervision. And, considering how far the industry has come in rehabilitating both its balance sheet and its reputation since the early 1990s, it would truly be a tragedy if it were again to fall victim to the temptations of imprudence that accompany a highly competitive market environment. Fortunately, it's not too late to take the steps necessary to avoid the mistakes of the past and to ensure that the industry begins the next decade in better shape than it began the last.

In the speech I quoted earlier, John Medlin rejected the view that regulatory failures were a significant contributor to the banking crisis of a decade ago. Indeed, he argued that, in the end, regulatory behavior doesn't matter much one way or the other—that it ranks relatively low on the list of factors that influence the health of the banking system.

As you might imagine, I disagree on this point—perhaps the only disagreement I have ever had with John's consistently wise observations—and so do many scholars of recent banking history. In fact, academic analyses of the banking crisis of the '80s has generally concluded that changes in regulatory practice might have made a real difference in limiting the scope and the cost of the bank failures that occurred. Scholars point to a variety of obstacles that prevented regulators from moving swiftly and efficiently to identify and resolve troubled institutions: the inadequacy of the deposit insurance funds; difficulties in coordination among the regulatory agencies; statutory limits on the regulators' ability to close weakened banks; and reductions in the numbers and experience levels of examiners, brought about by pressures to reduce agency budgets.

A number of important steps have been taken in recent years to address the supervisory shortcomings of a decade ago. The FDIC Improvement Act, with its focus on prompt corrective action, should significantly reduce the prospect that institutions will be permitted to continue to operate in a condition of insolvency, racking up greater and greater losses before they are closed. The bank insurance fund today is fully capitalized and fully prepared to meet virtually any contingency. The regulatory agencies are constantly improving their supervisory capabilities— hiring examiners, enhancing the quality of examinations, and beefing up training to help examiners understand the evolving nature of financial risk. At the OCC, for example, we employ nearly as many examiners today as we did in 1990, when there were almost twice as many national banks for them to examine. And we've improved the mechanisms for interagency consultation, so that, as near as possible, we speak with a single voice, and are able to act in concert if and when circumstances require it. The agencies' joint response to the Y2K challenge, our ongoing study of capital standards, and the development of uniform examination guidance exemplify the progress we've made in this important area.

Yet some pieces of the puzzle are still missing. Students of the last banking crisis have made a persuasive case that with better analytical tools, supervisors might have been better able to predict the impact of economic changes on banks' balance sheets and prevent deterioration in some banks' overall condition from passing the point of no return. While no one suggests that predictive tools can change the course of the economy or prevent all troubled banks from failing, such tools can be of significant assistance in mitigating the extent of loss that banks might suffer when the economy turns against them. If they can do nothing else, they can add credibility to the cautionary notes that our examiners are sounding. We have experienced some real difficulties in getting bankers and bank directors to take seriously our criticisms of structurally weak loans when those loans are currently performing well. Yet we know that when the economy turns, these loans will experience deeper losses than they might otherwise have.

That's why earlier this year the OCC launched Project Canary—an initiative designed to use the predictive tools we have on hand more effectively and to develop new, cutting-edge early warning systems that will enable us to spot emerging trends in industry risk and project future events with a higher degree of accuracy than is possible today. The allusion is to the canary in the mineshaft that gives its life to warn miners of deadly gases that would otherwise go undetected. The objective is to alert us to specific environmental changes that signal future trouble for national banks and the national banking system, so that we can respond in a carefully modulated way.

I emphasize "modulated" because it's important that examiners have choices between the extremes of velvet glove forbearance, on the one hand, and drastic enforcement actions, on the other. Incremental changes in condition need to be accompanied by incremental supervisory responses. Even as the work goes forward on Project Canary, I've asked OCC staff to focus on refining and elaborating the range of supervisory responses that we have available to apply to the diverse conditions that exist in the national banking system. Our goal is a well-calibrated range of supervisory options proportionate to the degree of change in a given bank's condition.

I've often joked over the past nine months that my predecessor did me no favors by leaving the national banking system in the best condition in its history. Nobody's likely to remember my tenure if things stay pretty much the same—even though in this climate, it will be challenge enough merely to preserve the status quo. But if the economy should falter, and we begin to experience serious losses in the system, I'm likely to be viewed as the relief pitcher that put the winning run on base. That's something I'm determined to avoid. Succeeding in that regard will require not only the development of better supervisory tools and better modulated responses to change, but a recognition by bankers that the long-term health of the system may require some belt tightening during good times. The philosopher George Santayana said that "those who cannot remember the past are condemned to repeat it." I hope that's a mistake we can avoid.

Interpretations—July 1 to September 30, 1999

Interpretive Letters

863—July 22, 1999

12 USC 84d2
12 CFR 32.5

Re: [ ] National Bank, *[City, State]*/12 USC 84

Dear [ ]:

This is in response to your June 14, 1999 letter to Eric Thompson, Director, Bank Activities and Structure Division, and our related telephone conversation on July 20, 1999 regarding certain loans made by your client, [ ] National Bank, *[City, State]* ("bank") to six individuals who subsequently used the proceeds to invest in a limited liability company. You request that the OCC not object to your view that, although the total amount of the six loans would exceed the bank's legal lending limit under 12 USC 84, the loans need not be combined under the OCC's lending limit regulation at 12 CFR Part 32 because the loan attribution rules in 12 CFR 32.5 are inapplicable to the situation you have described.

Facts

You have presented the facts as follows.

In September 1997, the bank extended unsecured lines of credit to six individuals, each of whom used the proceeds to invest in a new limited liability company, *[LLC],* which was organized to acquire, own, and operate commercial real estate. Combined, the borrowers hold 100 percent of the membership interests in *[LLC].*

Each of the six borrowers is a longstanding bank customer with a significant net worth. The bank's decision to make each of the loans was based on the individual creditworthiness of the particular borrower. The loans are neither guaranteed nor collateralized by *[LLC]* and repayment is the responsibility of the individual borrowers. As members of a limited liability company, the borrowers have no liability beyond their initial contributions. Since the source of repayment is not the revenues of *[LLC],* the bank is not dependent on *[LLC]'s* performance.

The legal lending limit for the bank under 12 USC 84 as of March 31, 1999 was $2,259,000. If the loans are aggregated, the draws for the lines of credit exceeded this amount by $323,000.

Discussion

All loans and extensions of credit made by national banks are subject to statutory legal lending limits. Generally, the total loans and extensions of credit to any one borrower may not exceed 15 percent of the bank's total unimpaired capital and unimpaired surplus. 12 USC 84(a). The statute "is intended to prevent one individual, or a relatively small group, from borrowing an unduly large amount of the bank's deposits for the use of the particular enterprises in which they are engaged." OCC Interpretive Letter No. 15 (January 10, 1978), *reprinted in* [Transfer Binder 1978–79] Fed. Banking L. Rep. (CCH) ¶ 85,090. OCC regulations promulgated pursuant to section 84 describe the purposes of the lending limit as "protect[ing] the safety and soundness of national banks by preventing excessive loans to one person, or to related persons that are financially dependent, and [promoting] diversification of loans and equitable access to banking services." 12 CFR 32.1(b).

OCC lending limit regulations require that loans or extensions of credit to one person be attributed to other persons when (1) the proceeds are used for the "direct benefit" of the other person, or (2) a "common enterprise" is deemed to exist between the persons. 12 CFR 32.5(a).

Common Enterprise Rule

Under 12 CFR 32.5(c), loans to different borrowers will be aggregated if a "common enterprise" is found to exist between or among the borrowers. There are three *per se* rules under which a "common enterprise" may be found to exist. In addition, a common enterprise will be found if the facts and circumstances of a particular transaction support that conclusion.

Only one of the three common enterprise tests is relevant to this situation. Under 12 CFR 32.5(c)(3), a common enterprise will be deemed to exist among different borrowers "[w]hen separate persons borrow from a bank to acquire a business enterprise of which those borrowers will own more than 50 percent of the voting securities or voting interests. . . ."

Your letter makes clear that all six borrowers invested their loan proceeds in *[LLC],* and among them they own 100 percent of the company. It is your contention, however, that a common enterprise should not be deemed to exist under the circumstances because the borrowers are all independently responsible for repayment of their loans, the loans are not collateralized or guaranteed by *[LLC],* and repayment of the loans is not dependent on the success or revenues of *[LLC].* You suggest that since the bank made the loans based on separate credit evaluations of the borrowers, all of whom are of high net worth and therefore presumably capable of repayment, the bank is not dependent on the success of *[LLC]* for repayment of the loans. Therefore, you believe that the risk to the bank is minimal and that the statutory goal of the lending limits—to protect the safety and soundness of national banks—is not furthered by aggregating the loans to the six borrowers.

I am unable to agree with your suggestion that 12 CFR 32.5(c)(3) should apply only where the borrowers are financially interdependent or where the source of repayment is dependent on the proceeds of the business enterprise. On the contrary, the OCC has repeatedly stated that the creditworthiness of particular borrowers is not determinative in applying the loan aggregation rules so as to further the statutory purposes of safeguarding bank deposits and spreading loans among a large number of persons engaged in diverse lines of business.

For example, in 1978 the OCC required that loans to two different individuals who purchased interests in a corporation be aggregated, stating that the purposes of the statutory lending limits were applicable to the individuals "irrespective of their ability to repay the loans" and further that "in light of the purpose of 12 USC 84, the fact that the bank will make the loans to both [borrowers] *on the basis that they have sufficient assets to repay the loan does not alter the legal requirement of the statute."* OCC Interpretive Letter No. 15, *supra*, CCH ¶ 85,090 at 77,083 (emphasis added).

In an unpublished 1991 letter, the OCC reiterated its view that the separate creditworthiness of individual borrowers does not bar the finding of a common enterprise when their separate loan proceeds are used in the acquisition of a business. In that instance, aggregation of the loans was required notwithstanding that the bank in question was "satisfied with the creditworthiness of each borrower and expect[ed] repayment of the loans from the individuals and not from income from the holding company. . . ." OCC letter from Suzanne Rogers (November 7, 1991) (unpublished).

Your letter makes clear that the six borrowers all used the entire proceeds of their respective loans to invest in a newly organized limited liability company. The six collectively own the entire company. It is clear that these individuals borrowed from the bank "to acquire a business enterprise of which those borrowers will own more than 50 percent of the voting securities or voting interests" and that therefore they are engaged in a common enterprise within the meaning of 12 CFR 35.5(c)(3). The fact that the loans are not secured or collateralized by *[LLC]* assets is not a relevant factor in reaching this conclusion, nor is the independent creditworthiness of the borrowers. As noted above, one of the goals of the lending limits prescribed in 12 USC 84 is credit diversification: ensuring that a national bank provides credit to the community as a whole rather than to a select group of individuals or business entities. This goal is frustrated if a bank has excessive amounts of its capital tied up in a single business.

Direct Benefit Rule

Your letter also briefly refers to the "direct benefit" rule of loan aggregation as stated in 12 CFR 32.5(b). Under the direct benefit rule, the proceeds of a loan will be deemed to be for the "direct benefit" of another person when the proceeds, or assets purchased with the proceeds, are transferred to another person, other than in a bona fide arm's length transaction where the proceeds are used to acquire property, goods, or services. 12 CFR 32.5(b).

There are certain circumstances under which the direct benefit rule of loan aggregation might be applicable to the use of loan proceeds to purchase interests in a newly organized company. However, since it is clear that the loans in question were used in a common enterprise for the acquisition of a business and therefore must be aggregated under 12 CFR 32.5(c)(3), it is not necessary to consider whether the loans would also have to be aggregated under the direct benefit rule of 12 CFR 32.5(b).

Conclusion

Since the six individuals described in your letter used all loan proceeds to invest in and acquire more than 50 percent of a business enterprise, it is my view that they were engaged in a common enterprise within the meaning of 12 CFR 32.5(c)(3) and that the loans must therefore be aggregated in determining the bank's lending limits under 12 USC 84(a).

Please do not hesitate to call me at (202) 874-5300 if you have any questions.

Sue E. Auerbach
Senior Attorney, Bank Activities and Structure Division

864—May 19, 1999

12 USC 92

Kirk P. Flores
Counsel
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, ILL 60674–9135

Re: Insurance Agency Activities in Illinois and Michigan under 12 USC 92

Dear Mr. Flores:

This is in response to your letter requesting confirmation that ABN AMRO Insurance Services, Inc. (the "agency"), a wholly owned subsidiary of LaSalle Bank National Association, Chicago, Illinois (the "bank"), may sell insurance through satellite offices of the agency in the states of Illinois and Michigan, in addition to the agency's "place of 5,000" location, as permitted under Illinois and Michigan law. Based on the facts and representations set forth in your letter and on additional information and representations you have provided, as described herein, we conclude that, under 12 USC 92, the agency, appropriately located in a "place of 5,000," may solicit and sell insurance in the manner permissible for insurance agencies generally in the states of Illinois and Michigan and as authorized by the agency's state insurance licenses in these states.

I. Background

For purposes of this request, the factual situation you describe involves a national bank engaged in the banking business in Illinois. After submission of the appropriate operating subsidiary application to the OCC and insurance agent license application to the Illinois Department of Insurance, and approval thereof, the bank established an insurance agency subsidiary in a "place of 5,000" in which the bank is located and doing business. The bank and the agency operate in conformity with the requirements of section 92.

II. Discussion

A. Section 92 Authorizes Insurance Sales Activities for National Banks

Under 12 USC 92, a national bank located and doing business in a place with a population of 5,000 or fewer may act as an agent for state-authorized insurance companies by soliciting and selling insurance, collecting premiums, and receiving commissions and fees for these services from the insurance company.[1] By its terms, section 92 does not require a bank's insurance solicitation and sales activities to occur within the "place of 5000." Specifically, there is no restriction as to either the location of customers or the methodology of sale.

Congress explicitly vested the OCC in section 92 with the authority to prescribe rules and regulations concerning national banks' insurance sales activities.[2] Since 1963, the OCC has interpreted the reach of section 92 to permit a branch office of a bank to act as agent for insurance companies if the branch is located in a place the population of which does not exceed 5,000 inhabitants, even if the main office of the bank is located elsewhere.[3]

The Supreme Court in *Barnett Bank of Marion County, N.A.* v. *Nelson* examined the language of section 92 and found that section 92 suggests "a broad, not limited permission" for national banks to act as the agent for insurance sales.[4] Other courts have followed a fundamentally similar approach in establishing that while the bank or branch must be located in a "place of 5,000," section 92 does not place any geographic restrictions on potential or existing customers to whom a bank or branch may sell insurance pursuant to section 92.[5]

B. Prior OCC Precedents Analyze the Scope of Insurance Sales Activities Permissible for a Bank Insurance Agency under Section 92

Following this judicial precedent, the OCC has interpreted section 92 to permit national banks to engage in a range

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[1]Section 92 states:

> In addition to the powers now vested by law in national banking associations . . . any such association located and doing business in any place the population of which does not exceed five thousand inhabitants . . . may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which said bank is located to do business in said State, by soliciting and selling insurance and collecting premiums on policies issued by such company; and may receive for services so rendered such fees or commissions as may be agreed upon between the said association and the insurance company for which it may act as agent. . . .

12 USC 92.

[2] *See Barnett Bank of Marion County, N.A.* v. *Nelson,* 517 U.S. 25, 32; 116 S. Ct. 1103, 1108 (1996); *NBD Bank, N.A.* v. *Bennett,* 67 F.3d 629 (7th Cir. 1995).

[3] 12 CFR 7.1001 (formerly 12 CFR 7.7100)

[4] 517 U.S. 25, 32; 116 S.Ct. 1103, 1108 (1996).

[5] *See Shawmut Bank Connecticut, National Association* v. *Robert Googins,* 965 F. Supp. 304 (D. Connecticut 1997); *NBD Bank, N.A.* v. *Bennett,* 67 F.3d 629 (7th Cir. 1995); *Independent Ins. Agents* v. *Ludwig,* 997 F.2d 958 (D.C. Cir. 1993).

of insurance agency activities in conformity with section 92's "place of 5,000" framework. The OCC's "First Union letter" provides an extensive analysis of the scope of activities permissible under 12 USC 92. The OCC's letter considers the plain language of the statute, the legislative history, the contemporaneous practices of banks and insurance agents in 1916 when the law was enacted, the OCC's longstanding interpretive ruling under section 92, and recent judicial opinions construing the scope of section 92.[6]

In applying section 92 in the modern context, the OCC found in the "First Union letter" that section 92, by its literal terms, consistent with Congressional intent and as construed by relevant case law, does not subject national banks soliciting and selling insurance to unique restrictions or disabilities relative to insurance agents generally in a particular state. Further, given the flexibility with which banks and insurance agents operated in 1916, the OCC found it is entirely consistent with section 92's authority and purpose to allow national bank insurance agencies to employ the same variety of marketing resources and tools as are used today by other insurance agencies.

In the "Louisiana letter,"[7] the OCC considered whether the principles of section 92 set forth in the "First Union letter"would permit a bank insurance agency that is located in a "place of 5,000" to establish auxiliary or "satellite" offices in locations outside the "place of 5,000." Louisiana law expressly permitted insurance agencies, including a bank-established agency, to conduct business at locations in addition to the agency's business location shown on its insurance license. The OCC concluded that, for a national bank in Louisiana, the use of the same methods and facilities available to licensed insurance agencies generally, as well as to state bank insurance agencies, includes the ability of the national bank insurance agency to establish auxiliary locations of the agency outside of the "place of 5,000" and to engage in insurance sales activities at those locations.

The "First Union letter" and the "Louisiana letter" distill several general principles to define the scope of solicitation and sales activities permissible for national banks under 12 USC 92.[8]

The [bank insurance] agency located in the "place of 5,000" must be *bona fide.* Agents will be managed through the agency and the "place of 5,000" will be the agency's business location for licensing purposes. Each agency will be responsible for collecting commissions from insurance carriers and paying commissions to its licensed sales staff. The agency also generally will be responsible for processing insurance applications, delivery of insurance policies, and collection of premiums, where consistent with procedures of the relevant insurance carriers. In addition, business records of the agency, including copies of customer application and policy information, and licensing, customer complaint, and other compliance records, will be available at the "place of 5,000."[9]

The OCC also has concluded that a bank insurance agency and its agents may seek the same market range and use the same marketing tools and facilities as generally available for licensed insurance agencies in the state in which the bank insurance agency operates. This will generally permit the following:

- Meetings with customers and solicitations and sales of insurance by the bank's agents may generally take place at locations inside the "place of 5,000" as well as at locations outside that "place," provided the agents are managed and paid through the bank agency located in the "place of 5,000" and use that location as the agency's place of business for licensing purposes (if applicable).
- Mailings to advertise and sell insurance may originate from inside or outside of the "place of 5,000" and brochures, leaflets, and other literature alerting potential customers to the bank's insurance activities may be distributed from location inside and outside of the "place of 5,000," including other branches of the same bank.
- Personnel at bank branches inside and outside of the "place of 5,000" may make referrals to the bank's insurance agency.
- Telephone and cybermarketing may be used and the calls and messages need not originate within the "place of 5,000."
- The bank may contract with third parties to assist the agency's sales activities, including advertising support, direct mail marketing services, telemarketing services, payments processing, and other types of "back office" support.

[6] See OCC Interpretive Letter No. 753 (November 4, 1996) ("First Union letter"), reprinted in [1996–1997 Transfer Binder] Fed. Banking L. Rep. (CCH) & 81–107.

[7] OCC Interpretive Letter No. 844 (October 20, 1998) ("Louisiana letter"), reprinted in [Current Binder] Fed. Banking L. Rep. (CCH) & 81B299.

[8] The OCC noted in the "First Union letter" that the principles described are not intended to be exhaustive and recognizes that solicitation and sales techniques may vary with different marketing strategies employed by different banks and still be consistent with the general principles described in the "First Union letter."

[9] Some of these business records may be maintained and available at the agency in electronic form, with the original hard copy kept in off-site storage.

The OCC noted in the "First Union letter" that section 92 as enacted in 1916 generally described the ways national bank insurance agencies operated—by soliciting and selling, by collecting premiums, and by receiving commissions and fees for these services—but did not delineate or curtail how these activities were to be conducted by bank insurance agencies. The letter further provided that "Congress permitted national banks to operate effectively in the insurance business that existed in 1916, and also did not restrain banks' ability to modernize their solicitation and sales methods as needed to remain competitive as the insurance business evolved."[10] Hence, the "First Union letter" concluded that the proposed insurance agency activities occurring both inside and outside of the "place of 5,000" were permissible under section 92.

With respect to the current request, you represent that the agency's business location for licensing purposes is in a "place of 5,000," and that the bank and the agency will continue to conduct their activities in accordance with the above principles set forth in the "First Union letter," including conformity with Illinois and Michigan law. Specifically, you indicate that Illinois law permits an insurance agency, including a bank-established agency, to conduct business at locations in addition to the agency's business location shown in its insurance license. You also represent that Michigan law permits an Illinois-based insurance agency, including a bank-established agency, to establish satellite offices at locations in Michigan. You represent that the agency is a licensed agency in Illinois, its home state, and in Michigan. You represent that the operations of the agency will be conducted at satellite office locations that would be permissible under Illinois and Michigan law for nonbank agencies as well as for insurance agencies operated by state banks.

C. Illinois and Michigan Law Authorizing Insurance Sales Activities

The Illinois Department of Insurance ("DOI") has construed Illinois insurance law to permit the establishment of additional offices by firms that are registered as insurance agencies. While Illinois insurance statutes do not expressly address the permissibility of satellite offices, the DOI has concluded such offices are permissible under the statutory scheme.[11] The establishment of additional offices by Illinois registered firms is permitted both in Illinois, and in another state (the "host state") provided the firm is in full compliance with licensing and other requirements imposed by the host state.[12] Furthermore, the establishment of additional offices, whether in Illinois or in a host state, does not require any prior approval from the DOI.[13]

The Michigan Insurance Bureau (the "MIB"), like the DOI, has construed Michigan insurance law to permit a Michigan licensed agency to establish additional offices, subject to the proviso that each and every additional office must be staffed by a distinct licensed agent. While Michigan insurance statutes similarly do not expressly address the permissibility of satellite offices, the MIB finds them to be permissible under the applicable statutory scheme.[14] The ability to establish additional offices applies to all Michigan-licensed agencies, including an agency located in Illinois that is licensed in Michigan.[15]

Given the foregoing, you have asked us not to object if the agency, which is located in a place of 5,000 in Illinois, solicits and sells insurance through satellite offices in Illinois and Michigan, as permitted under the laws of those states. As described earlier in this letter, section 92 and the "First Union letter"do not prohibit national banks from conducting their insurance solicitation and sales activities from outside the "place of 5,000." In fact, the "First Union letter" recognizes that national bank insurance agencies located in a "place of 5,000" should be permitted the same marketing range and be able to use the same marketing tools and facilities as generally available under state law for licensed nonbank insurance agencies or licensed agents with offices in a "place of 5,000." Consistent with the principles established in the "First Union letter," the "Louisiana letter" concluded that, for a national bank in Louisiana, where state law expressly contemplates that insurance agencies will operate from more than one location, the use of the same methods and facilities available to licensed insurance agencies generally, as well as to state bank insurance agencies, includes the ability of the national bank insurance agency to establish locations of the agency outside of the "place of 5,000" and to engage in insurance sales activities at those locations.

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[10] "First Union letter," supra at 33.

[11] See the letter from Andy L. Navarrete, Morgan, Lewis & Bockius LLP, to Les Jenkins, Esq., Illinois Insurance Department (December 16, 1998), and response dated December 15, 1998 (sic), from Mr. Jenkins to Mr. Navarrete (the "DOI correspondence"). Although additional insurance agency offices are referred to as "branch offices" or "branches" in the cited correspondence, we use the term "additional offices" to avoid confusion with the concept of branching as defined in banking law.

[12] DOI correspondence.

[13] *Id.* The DOI has orally confirmed to counsel for the bank that these conclusions apply to bank-established insurance agencies.

[14] See the letter from Sandra M. Cotter, Dykema Gossett LLC, to Charles A. Johnson, Director, Licensing Section, Michigan Insurance Bureau (December 22, 1998), and response dated December 27, 1998, from Mr. Johnson (the "Michigan correspondence").

[15] Michigan correspondence. The Michigan Insurance Bureau also orally confirmed to counsel for the bank that these conclusions apply to bank-established insurance agencies.

The current situation is fundamentally the same as that addressed in the "Louisiana letter." Here, Illinois authorities have determined that the law of Illinois permits an Illinois-licensed insurance agency to solicit and sell insurance through satellite offices in both Illinois and in other states, and Michigan authorities have similarly determined that the law of Michigan permits the use of satellite offices in Michigan by an Illinois insurance agency that is licensed in Michigan. Thus, the solicitation and sale of insurance by the agency through satellite offices as described above and in your letter of April 7, 1999, is consistent with the principles of the "First Union letter."

III. Conclusion

Accordingly, based on the foregoing facts and discussion and on the representations made in your incoming letter, we conclude that under section 92, the agency, appropriately located in a "place of 5,000," may solicit and sell insurance in the same manner permissible in Illinois and Michigan for insurance agencies generally and for bank-established insurance agencies in particular. If you should have any questions, please feel free to contact Ellen Broadman or Virginia Rutledge at (202) 874–5210.

Julie L. Williams
Chief Counsel

865—May 26, 1999

12 CFR 9.18

Dear [ ]:

An Illinois-chartered member bank (bank) seeks confirmation that its proposed common trust funds, as described below, would constitute common trust funds under 12 CFR 9.18(a)(1).[1] For reasons described below, the proposed funds, as structured, would qualify as (a)(1) funds. We cannot, of course, address whether the funds are actually operated in conformity with OCC regulations since the bank is not subject to OCC examination and supervision.

Background

As an adjunct to the bank's custodial service, the bank offers a securities lending program. The bank seeks confirmation that its proposal to pool cash collateral held pursuant to securities lending agreements would qualify for common trust fund treatment under 12 CFR 9.18(a)(1).

Under a securities lending authorization agreement (SLAA) between a custodial client and a bank, custodial clients (securities lenders) lend eligible securities, which include U.S. and non-U.S. equities, corporate bonds, and government securities. Suggested minimum portfolio sizes for participation range from $10 million (non U.S. securities) to $500 million (U.S. equities and corporate bonds). A securities lender may establish certain guidelines in the SLAA regarding:

(1) the borrowers to whom the bank is authorized to lend securities on its behalf,

(2) the permissible instruments in which cash collateral may be invested,

(3) minimum collateralization requirements for securities loans, and

(4) certain essential terms which must be contained in loan agreements between the bank and borrowers.

Within these guidelines, the bank exercises discretion.

Under a securities borrowing agreement (SBA), qualified borrowers provide noncash collateral (such as government securities) or cash collateral in the form of wire-transferred or clearinghouse funds. Qualified borrowers are mainly securities broker-dealers and other financial participants involved in market making, hedging, and arbitrage transactions. The securities borrowing agreement grants a security interest in and a lien upon the cash and noncash collateral and provides that the bank shall have the right to invest the cash collateral for the sole account

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[1] The bank proposes to obtain favorable tax treatment pursuant to 26 USC 584, which provides, in relevant part, favorable treatment for

a fund maintained by a bank—

(1) exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity—

(A) as a trustee, executor, administrator, or guardian, or

(B) as a custodian of accounts—

(i) which the Secretary determines are established pursuant to a State law which is substantially similar to the Uniform Gifts to Minors Act as published by the American Law Institute, and

(ii) with respect to which the bank establishes, to the satisfaction of the Secretary, that it has duties and responsibilities similar to duties and responsibilities of a trustee or guardian; and

(2) in conformity with the rules and regulations, prevailing from time to time, of the Board of Governors of the Federal Reserve System or the Comptroller of the Currency pertaining to the collective investment of trust funds by national banks.

This letter addresses issues related to 12 CFR 9.18(a)(1) and does not opine on other applicable law, including federal securities or tax law.

of and risk of the securities lender. Under the SBA, the obligation of the securities lender is to return the cash in the same currency and in the same amount as the cash collateral provided at the outset of the loan.

In the cash collateral context, the security lender is compensated by the amount of revenue generated through the bank's investment of the cash collateral (net of certain expenses) less a negotiated loan rebate fee paid by the securities lender to the securities borrower and less a fee paid to the bank. The loan rebate fee is negotiated between the bank and the borrower at the outset of the loan. The securities lender pays a fee to the bank from the assets in the securities lender's custody account measured as a percentage of the revenues earned by the securities lender as a result of the loan; this percentage is the same whether the securities borrower provides cash or noncash collateral.

The bank proposes to commingle funds it receives as cash collateral in one or more common trust funds for collective investment, pursuant to a written plan establishing the common trust funds. The bank will enter into a trust agreement with each securities lender, in which the securities lender would be the settlor and beneficiary, the bank would be the trustee, and the body of the trust would consist of all of the security lender's rights with respect to cash collateral. These rights include the right to:

(1) possess the funds constituting cash collateral,

(2) invest the funds, and

(3) retain the earnings on the investment of the funds.

The bank would retain the discretion under the trust agreement with each client to manage cash collateral on a pooled or nonpooled basis. The bank will provide related fiduciary administrative services in safekeeping the collateral, collecting the income due to the beneficiaries, and paying the income as directed under the trust agreements.

The bank's common trust funds would seek to maximize income to the extent consistent with capital preservation and liquidity by investing in high quality fixed income or adjustable rate securities and other instruments. The units of each fund would entitle each participating trust to a pro rata share of the income, expenses, gains and losses of the fund. The bank represents that the funds will be operated in compliance with all other aspects of Part 9 and any other applicable law.[2]

Discussion

The definition of a collective investment fund for purposes of section 9.18(a)(1) is:

> A fund maintained by the bank, or by one or more affiliated banks, exclusively for the collective investment and reinvestment of money contributed to the fund by the bank, or by one or more affiliated banks, in its capacity as trustee, executor, administrator, guardian, or custodian under a uniform gifts to minors act.

12 CFR 9.18(a)(1). The general requirements governing the establishment of a Section 9.18(a)(1) common trust fund are the existence of valid trusts and a true fiduciary purpose in managing the trust funds collectively.[3] The bank believes that the proposed funds fall within this definition of an (a)(1) fund. The bank represents that valid Illinois trusts will be created on behalf of each securities lender and the bank will be trustee. The bank will collectively invest, through the proposed common trust fund(s), cash collateral received from securities borrowers.

The bank appears to have established valid trusts under these arrangements. The bank represents that under Illinois law, the requirements to create an express trust are:

(1) an intent to create a trust which may be shown by the declaration of trust by the settlor or circumstances which show the settlor intended to create a trust;

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[2] The bank asserts that each fund will rely on the exclusion to the definition of the term "investment company" provided by Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended. Thus, the bank would not cause any of the funds to be registered as an "investment company" because units in each fund would either be beneficially owned by not more than 100 persons or would be sold exclusively to "qualified purchasers." Qualified purchasers are natural persons and certain trusts who have at least $5,000,000 in investments (as defined by the SEC) and an institutional investor that has at least $25,000,000 in investments, in each case net of any debt incurred to acquire such investments. 15 USC 80a–2(a)(51)(A), 3(c)(1), and 3(c)(7). The bank states that units of the common trust funds would not be registered under the Securities Act because there would no public offering. *See* 15 USC 77d(2). We express no opinion on the applicability of federal securities law. We also express no opinion on compliance with the specific requirements of 12 CFR 9.18(b) in the bank's operation of the fund(s).

[3] *See Investment Company Institute* v. *Camp*, 401 U.S. 617 (1971)(distinguishing a plan in which customers' appoint the bank as managing agent to invest funds collectively from the situation in which the bank commingles assets received for a true fiduciary purpose); *Investment Company Institute* v. *Conover*, 790 F.2d 925, 936 (DC Cir.), *cert denied*, 479 U.S. 939 (1986)(finding commingled IRA funds permissible and stating "we cannot say that the Comptroller unreasonably determined that Citibank's Trust represents a *bona fide* fiduciary service."); *Investment Company Institute* v. *Clarke*, 789 F.2d 175 (2d Cir.), *cert. denied*, 479 U.S. 940 (1986) (finding commingled IRA funds permissible); *Investment Company Institute* v. *Clarke*, 793 F.2d 220 (9th Cir.), *cert. denied*, 479 U.S. 939 (1986) (finding commingled retirement funds permissible).

(2) a definite trust res;

(3) ascertainable beneficiaries;

(4) a specification of the purpose of the trust and how it is to be performed; and

(5) the delivery of the trust property to the trustee.[4]

The bank represents that under Illinois law, any right or interest that may be the subject of property can be granted in trust.[5]

The money that the bank proposes to contribute to the contemplated common trust funds for collective investment and reinvestment would be held by the bank under various trust agreements naming the bank as trustee of the individual trusts. Thus, the lenders will have expressed their intent to create the trust, and the purpose of the trust will be clearly laid out. The body of the trust will consist of all of the settlor's rights in the funds representing the cash collateral. These rights include: the right to possess the money during the term of the securities loan, the right to invest the money for the settlor's own account and at its own risk, and the right to retain the resulting earnings. Thus, under the proposed arrangements, there is a definite body of the trust and ascertainable beneficiaries. The securities lender, as settlor, would make delivery of the trust property by causing the cash collateral to be transferred into a trust account established by settlor and controlled by the bank as trustee. The bank therefore receives all rights that the settlor possesses. Accordingly, the funds received by the bank for management under 12 CFR 9.18(a)(1) are subject to valid trust agreements.

Finally, the bank will clearly exercise a true fiduciary purpose in managing these funds collectively. As trustee, the bank will exercise discretion in managing cash received by the bank as collateral for securities it lends under the SLAA. In addition to providing this service, the bank will also provide related fiduciary administrative services, including safekeeping the collateral, collecting the income due to the beneficiaries, and paying income as directed under the trust agreements. By exercising discretion in managing funds received under the trust agreements, and by providing related administrative services under the trust agreements, the bank has a true fiduciary purpose in operating the Section 9.18(a)(1) fund(s) under the circumstances.

Accordingly, based on the bank's representations and description of the arrangements as set forth above, the proposed fund(s) would fulfill the requirements to qualify under 12 CFR 9.18(a)(1).

If you have any questions, please contact Nancy Worth, senior attorney, at (202) 874–5210.

Dean Miller
Senior Adviser

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[4] *See e.g., In re Estate of Michael H. Davis*, 255 Ill. App. 3d 998, 589 N.E.2d 154, 162 (1992); *In re Estate of Audrey Zuckerman*, 218 Ill. App. 3d 325, 578 N.E.2d 248, 251 (1991).

[5] *See* Fratcher, 1 *Scott on Trusts* 82, 460 (4th ed. 1988). *See also,* 53A "Am. Jur. 2d," *Money* 22 (1996) ("since possession of money vests title in the holder, title to money passes with delivery to a person who acquires it in good faith and for valuable consideration").

Mergers—July 1 to September 30, 1999

Mergers—July 1 to September 30, 1999

Most transactions in this section do not have accompanying decisions. In those cases, the OCC reviewed the competitive effects of the proposals by using its standard procedures for determining whether the transaction has minimal or no adverse competitive effects. The OCC found the proposals satisfied its criteria for transactions that clearly had no or minimal adverse competitive effects. In addition, the Attorney General either filed no report on the proposed transaction or found that the proposal would not have a significantly adverse effect on competition.

Nonaffiliated mergers (mergers consummated involving two or more nonaffiliated operating banks), from July 1 to September 30, 1999

Title and location (charter number)	Total assets
Alabama	
SouthTrust Bank, National Association, Birmingham (014569)	38,933,239,000
and Navigation Bank, Houston	80,809,000
merged on July 30, 1999 under the title of SouthTrust Bank, National Association, Birmingham (014569)	39,014,048,000
California	
City National Bank, Beverly Hills (014695)	6,268,705,000
and American Pacific State Bank, Sherman Oaks	413,949,000
merged on August 27, 1999 under the title of City National Bank, Beverly Hills (014695)	6,654,593,000
Pennsylvania	
County National Bank, Clearfield (013998)	448,100,000
and The First National Bank of Spangler, Spangler (007181)	32,999,000
merged on August 18, 1999 under the title of County National Bank, Clearfield (013998)	481,099,000
South Carolina	
FirstBank, National Association, Beaufort (022834)	94,506,000
and FirstBank of the Midlands, National Association, Columbia (023609)	14,767,000
merged on July 31, 1999 under the title of FirstBank, National Association, Beaufort (022834)	109,273,000
Tennessee	
Union Planters Bank, National Association, Memphis (013349)	27,406,926,000
and Republic National Bank of Miami, Coral Gables (015555)	1,837,400,000
merged on July 16, 1999 under the title of Union Planters Bank, National Association, Memphis (013349)	28,831,830,000
National Bank of Commerce, Memphis (013681)	4,585,274,000
and First Bank & Trust, Mount Juliet	260,944,000
merged on September 17, 1999 under the title of National Bank of Commerce, Memphis (013681)	5,119, 218,000
Texas	
The First National Bank of Hughes Springs, Hughes Springs (006922)	116,936,000
and The First National Bank of Jefferson, Jefferson (014648)	35,674,000
merged on August 9, 1999 under the title of The First National Bank of Hughes Springs, Hughes Springs (006922)	139,492,000
Hamlin National Bank, Hamlin (012700)	59,740,000
and The Farmers National Bank of Rule, Texas, Rule (014539)	16,354,000
merged on September 3, 1999 under the title of Hamlin National Bank, Hamlin (012700)	76,094,000

Nonaffiliated mergers—thrift (mergers consummated involving nonaffiliated national banks and savings and loan associations), from July 1 to September 30, 1999

Title and location (charter number)	Total assets
Mississippi	
National Bank of Commerce, Starkville (003656)	777,053,000
and First Federal Bank for Savings, Columbus	157,192,000
merged on August 31, 1999 under the title of National Bank of Commerce, Starkville (003656)	971,832,000

Affiliated mergers (mergers consummated involving affiliated operating banks), from July 1 to September 30, 1999

Title and location (charter number)	Total assets
Alabama	
SouthTrust Bank, National Association, Birmingham (014569)	38,933,239,000
and First Bank and Trust, Groves	519,171,000
merged on August 13, 1999 under the title of SouthTrust Bank, National Association, Birmingham (014569)	39,580,378,000
California	
City National Bank, Beverly Hills (014695)	6,268,705,000
and CNB Sub ("non-operating" subsidiary of City National Bank), Beverly Hills	1,000
and American Pacific State Bank, Sherman Oaks	413,949,000
merged on August 27, 1999 under the title of City National Bank, Beverly Hills (014695)	6,654,593,000
Colorado	
First National Bank of the Rockies, Meeker (007435)	100,138,000
and Yampa Valley National Bank, Hayden (016919)	39,936,000
merged on July 1, 1999 under the title of First National Bank of the Rockies, Meeker (007435)	137,310,000
Delaware	
FCC National Bank, Wilmington (017762)	11,280,014,000
and First USA Bank, National Association, Wilmington (023649)	7,837,145,000
merged on September 17, 1999 under the title of First USA Bank, National Association, Wilmington (017762)	15,528,628,000
Illinois	
The Mid-City National Bank of Chicago, Chicago (013684)	786,038,000
and Damen National Bank, Schaumburg (023233)	220,204,000
merged on July 1, 1999 under the title of The Mid-City National Bank of Chicago, Chicago (013684)	963,069,000
Indiana	
Bank One, Indiana, National Association, Indianapolis (013759)	8,555,604,000
and NBD Bank, National Association, Indianapolis (000984)	7,099,309,000
and NBD Bank, Elkhart	728,032,000
merged on June 21, 1999 under the title of Bank One, Indiana, National Association, Indianapolis (013759)	16,071,745,000
Kansas	
The Exchange National Bank and Trust, Atchison (002758)	123,380,000
and The Farmers and Merchants State Bank, Effingham	24,206,000
merged on September 10, 1999 under the title of The Exchange National Bank and Trust Company of Atchison, Atchison (002758)	147,586,000
Minnesota	
Norwest Bank Minnesota, National Association, Minneapolis (002006)	29,698,644,000
and Eastern Heights Bank, Maplewood	465,707,000
merged on September 11, 1999 under the title of Norwest Bank Minnesota, National Association, Minneapolis (002006)	30,265,095,000
U.S. Bank National Association, Minneapolis (013405)	69,713,000,000
and Bank of Commerce, San Diego	638,000,000
merged on July 15, 1999 under the title of U.S. Bank National Association, Minneapolis (013405)	70,600,000,000
Marquette Bank, National Association, Golden Valley (022831)	1,168,025,000
and Marquette Bank Rochester, National Association, Rochester (023214)	229,110,000
merged on September 30, 1999 under the title of Marquette Bank, National Association, Golden Valley (022831)	1,382,445,000
Bremer Bank, National Association, Marshall (023294)	156,890,000
and State Bank of Edgerton, Edgerton	38,573,000
merged on September 30, 1999 under the title of Bremer Bank, National Association, Marshall (023294)	195,463,000

Affiliated mergers (continued)

Title and location (charter number)	Total assets
Missouri	
Commerce Bank, National Association, Kansas City (018112)	9,196,823,000
and The Columbus State Bank, Columbus on July 8, 1999	79,533,000
and City National Bank of Pittsburg, Pittsburg (015503) on August 13, 1999	126,705,000
merged on those respective dates under the title of Commerce Bank, National Association, Kansas City (018112)	9,449,796,000
BC National Banks, Butler (017100)	61,291,000
and Citizens Bank of Missouri, Harrisonville	23,774,000
merged on those respective dates under the title of BC National Banks, Butler (017100)	84,734,000
UMB Bank, National Association, Kansas City (013936)	4,342,210,000
and UMB Bank, Northwest, St. Joseph	150,010,000
merged on July 31, 1999 under the title of UMB Bank, National Association, Kansas City (013936)	4,492,220,000
UMB Bank Cass County, National Association, Kansas City (023920)	29,182,000
and UMB Bank, National Association, Kansas City (013936) on August 28, 1999	4,492,220,000
and UMB Bank of St. Louis, National Association, St. Louis (021727) on September 25, 1999	1,088,066,000
and UMB Bank, Boonville, Boonville on September 11, 1999	39,994,000
and UMB Bank, Jefferson City, Jefferson City on September 11, 1999	44,125,000
and UMB Bank, North Central, Brookfield on August 28, 1999	73,327,000
and UMB Bank, Northeast, Monroe City on September 25, 1999	71,991,000
and UMB Bank Southwest, Carthage on August 28, 1999	292,199,000
and UMB Bank, Warrensburg, Warrensburg on September 11, 1999	109,592,000
and UMB First State Bank of Morrisonville, Morrisonville on September 25, 1999	11,349,000
merged on those respective dates under the title of UMB Bank, National Association, Kansas City (023920)	6,259,450,000
Nebraska	
The First National Bank & Trust Company of Beatrice, Beatrice (002357)	109,245,000
and The Blue Springs State Bank, Blue Springs	15,881,000
merged on July 2, 1999 under the title of The First National Bank & Trust Company of Beatrice, Beatrice (002357)	134,330,000
North Carolina	
Bank of America National Trust and Savings Association, San Francisco (013044)	243,881,000,000
and Bank of America, National Association, Charlotte (014448)	299,993,000,000
merged on July 23, 1999 under the title of Bank of America, National Association, Charlotte (013044)	543,423,000,000
Ohio	
The Huntington National Bank, Columbus (007745)	28,077,771,000
and Huntington Interim Bank, Columbus	19,127,000
merged on June 30, 1999 under the title of The Huntington National Bank, Columbus (007745)	28,096,898,000
KeyBank National Association, Cleveland (014761)	71,855,739,000
and Key Interim National Bank of Michigan, Ann Arbor (023944)	1,069,690,000
merged on August 16, 1999 under the title of KeyBank National Association, Cleveland (014761)	72,981,723,000
Key Trust Company of Ohio, National Association, Cleveland (022803)	122,624,000
and Key Interim Trust Bank, Cleveland	2,781,000
merged on September 1, 1999 under the title of Key Trust Company of Ohio, National Association, Cleveland (022803)	125,405,000
Pennsylvania	
Keystone Financial Bank, National Association, Harrisburg (001663)	6,721,023,000
and Key Trust Company, Horsham	3,750,000
and Financial Trust Services Company, Carlisle	4,206,000
merged on August 20, 1999 under the title of Keystone Financial Bank, National Association, Harrisburg (001663)	6,728,979,000

Affiliated mergers (continued)

Title and location (charter number)	Total assets
Tennessee	
Union Planters Bank, National Association, Memphis (013349)	27,406,926,000
and Alvin State Bank, Alvin	138,815,000
merged on July 16, 1999 under the title of Union Planters Bank, National Association, Memphis (013349)	33,485,946,000
Union Planters Bank, National Association, Memphis (013349)	27,406,926,000
and The First National Bank and Trust Company of Corbin, Corbin (007544)	233,350,000
and First Bank of East Tennessee, National Association, La Follette (022238)	90,360,000
merged on July 9, 1999 under the title of Union Planters Bank, National Association, Memphis (013349)	33,809,656,000
Union Planters Bank, National Association, Memphis (013349)	33,128,614,000
and Union Planters Bank of Kentucky, National Association, Paducah (012961)	1,254,245,000
merged on August 13, 1999 under the title of Union Planters Bank, National Association, Memphis (013349)	34,382,859,000
Texas	
ExtraCo Banks, National Association, Temple (013778)	389,523,000
and Lorena State Bank, Lorena	27,969,000
merged on June 28, 1999 under the title of ExtraCo Banks, National Association, Temple (013778)	417,492,000
ExtraCo Banks, National Association, Temple (013778)	389,523,000
and Bank of Troy, Troy	12,567,000
merged on June 28, 1999 under the title of ExtraCo Banks, National Association, Temple (013778)	402,090,000
Montwood National Bank, El Paso (016369)	231,934,000
and Sierra Bank, Las Cruces	150,728,000
and Continental National Bank, El Paso (016381)	130,917,000
merged on August 6, 1999 under the title of State National Bank, El Paso, Texas, El Paso (016369)	513,579,000
Brookhollow National Bank, Dallas (015929)	109,781,000
and Brookhollow National Bank, Richardson (021357)	19,817,000
merged on July 1, 1999 under the title of Brookhollow National Bank, Dallas (015929)	129,549,000

Affiliated mergers—thrift (mergers consummated involving affiliated national banks and savings and loan associations), from July 1 to September 30, 1999

Title and location (charter number)	Total assets
Ohio	
Fifth Third Bank, Northwestern Ohio, National Association, Toledo (014586)	4,825,131,000
and The Strongsville Savings Bank, Strongsville	667,667,000
merged on August 6, 1999 under the title of Fifth Third Bank, Northwestern Ohio, National Association, Toledo (014586)	5,492,798,000

Tables on the Financial Performance of National Banks

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Tables are provided by the Economic Analysis Division and include data for nationally chartered, FDIC-insured commercial banks that file a quarter-end call report. Data for the current period are preliminary and subject to revision. Figures in the tables may not sum to totals because of rounding.

Assets, liabilities, and capital accounts of national banks
September 30, 1998 and September 30, 1999

(Dollar figures in millions)

	September 30, 1998	September 30, 1999	Change September 30, 1998–September 30, 1999 fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Number of institutions	2,519	2,383	(136)	(5.40)
Total assets	$3,048,867	$3,227,312	$178,445	5.85
Cash and balances due from depositories	183,465	189,839	6,374	3.47
Noninterest-bearing balances, currency and coin	135,457	134,787	(670)	(0.49)
Interest bearing balances	48,009	55,052	7,043	14.67
Securities	495,846	559,331	63,485	12.80
Held-to-maturity securities, amortized cost	62,620	55,321	(7,299)	(11.66)
Available-for-sale securities, fair value	433,226	504,010	70,784	16.34
Federal funds sold and securities purchased	107,590	101,975	(5,615)	(5.22)
Net loans and leases	1,925,717	2,028,292	102,574	5.33
Total loans and leases	1,962,773	2,065,991	103,218	5.26
Loans and leases, gross	1,964,901	2,067,857	102,957	5.24
Less: Unearned income	2,128	1,867	(261)	(12.26)
Less: Reserve for losses	37,056	37,699	643	1.74
Assets held in trading account	98,881	93,986	(4,895)	(4.95)
Other real estate owned	1,948	1,680	(268)	(13.74)
Intangible assets	63,171	70,951	7,780	12.32
All other assets	172,248	181,259	9,011	5.23
Total liabilities and equity capital	3,048,867	3,227,312	178,445	5.85
Deposits in domestic offices	1,698,518	1,765,010	66,492	3.91
Deposits in foreign offices	335,457	376,414	40,957	12.21
Total deposits	2,033,974	2,141,424	107,450	5.28
Noninterest-bearing deposits	401,060	415,261	14,201	3.54
Interest-bearing deposits	1,632,915	1,726,163	93,249	5.71
Federal funds purchased and securities sold	243,858	256,788	12,929	5.30
Demand notes issued to U.S. Treasury	17,956	28,057	10,101	56.25
Other borrowed money	248,551	300,925	52,374	21.07
With remaining maturity of one year or less	160,928	187,671	26,743	16.62
With remaining maturity of more than one year	87,623	113,254	25,631	29.25
Trading liabilities less revaluation losses	25,664	17,774	(7,889)	(30.74)
Subordinated notes and debentures	49,082	55,447	6,365	12.97
All other liabilities	158,756	150,017	(8,739)	(5.50)
Trading liabilities revaluation losses	57,861	55,842	(2,019)	(3.49)
Other	100,895	94,175	(6,720)	(6.66)
Total equity capital	271,026	276,881	5,855	2.16
Perpetual preferred stock	476	783	307	64.62
Common stock	17,384	15,452	(1,932)	(11.11)
Surplus	136,577	144,889	8,312	6.09
Net undivided profits and capital reserves	117,527	116,784	(744)	(0.63)
Cumulative foreign currency translation adjustment	(938)	(1,027)	(89)	NM

NM indicates calculated percent change is not meaningful.

Quarterly income and expenses of national banks
Third quarter 1998 and third quarter 1999
(Dollar figures in millions)

	Third quarter 1998	Third quarter 1999	Change Third quarter 1998–third quarter 1999 fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Number of institutions	2,519	2,383	(136)	(5.40)
Net income	$9,175	$11,484	$2,309	25.17
Net interest income	27,642	29,396	1,754	6.35
Total interest income	54,385	54,933	547	1.01
On loans	41,963	42,356	393	0.94
From lease financing receivables	1,570	1,439	(131)	(8.35)
On balances due from depositories	900	554	(346)	(38.45)
On securities	7,707	8,923	1,216	15.78
From assets held in trading account	837	595	(242)	(28.93)
On federal funds sold and securities repurchased	1,408	1,065	(343)	(24.33)
Less: Interest expense	26,743	25,536	(1,207)	(4.51)
On deposits	18,553	16,652	(1,900)	(10.24)
Of federal funds purchased and securities sold	3,179	3,054	(126)	(3.95)
On demand notes and other borrowed money*	4,163	4,917	754	18.11
On subordinated notes and debentures	848	913	65	7.70
Less: Provision for losses	4,664	3,715	(950)	(20.36)
Noninterest income	20,094	23,352	3,258	16.22
From fiduciary activities	2,270	2,446	175	7.73
Service charges on deposits	3,501	3,804	303	8.67
Trading revenue	360	1,115	754	209.35
From interest rate exposures	(87)	364	451	(517.89)
From foreign exchange exposures	468	662	194	41.45
From equity security and index exposures	14	62	48	NM
From commodity and other exposures	(35)	27	62	NM
Total other noninterest income	13,965	15,915	1,950	13.96
Gains/losses on securities	503	(170)	(673)	NM
Less: Noninterest expense	29,807	30,973	1,166	3.91
Salaries and employee benefits	11,481	12,273	792	6.90
Of premises and fixed assets	3,638	3,857	219	6.03
Other noninterest expense	14,688	14,843	154	1.05
Less: Taxes on income before extraordinary items	4,594	6,406	1,813	39.46
Income/loss from extraordinary items, net of income taxes	0	(1)	(1)	(495.26)
Memoranda:				
Net operating income	8,846	11,600	2,754	31.13
Income before taxes and extraordinary items	13,768	17,891	4,123	29.94
Income net of taxes before extraordinary items	9,174	11,484	2,310	25.18
Cash dividends declared	6,476	7,446	970	14.97
Net charge-offs to loan and lease reserve	4,005	3,370	(635)	(15.85)
Charge-offs to loan and lease reserve	4,979	4,305	(674)	(13.54)
Less: Recoveries credited to loan and lease reserve	974	935	(39)	(4.02)

* Includes mortgage indebtedness
NM indicates calculated percent change is not meaningful.

Year-to-date income and expenses of national banks
Through September 30, 1998 and through September 30, 1999

(Dollar figures in millions)

	September 30, 1998	September 30, 1999	Change September 30, 1998–September 30, 1999 fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Number of institutions	2,519	2,383	(136)	(5.40)
Net income	$28,971	$33,055	$4,085	14.10
Net interest income	82,381	86,808	4,427	5.37
Total interest income	159,860	162,085	2,225	1.39
On loans	123,057	122,760	(298)	(0.24)
From lease financing receivables	4,501	5,202	700	15.56
On balances due from depositories	2,687	2,290	(397)	(14.78)
On securities	22,870	26,115	3,246	14.19
From assets held in trading account	2,500	1,934	(566)	(22.64)
On federal funds sold and securities repurchased	4,245	3,785	(460)	(10.84)
Less: Interest expense	77,479	75,277	(2,202)	(2.84)
On deposits	53,826	50,116	(3,709)	(6.89)
Of federal funds purchased and securities sold	9,330	9,139	(191)	(2.04)
On demand notes and other borrowed money*	11,896	13,431	1,535	12.90
On subordinated notes and debentures	2,428	2,591	163	6.71
Less: Provision for losses	11,401	11,426	25	0.22
Noninterest income	58,467	68,469	10,002	17.11
From fiduciary activities	6,727	7,270	543	8.08
Service charges on deposits	10,179	11,017	838	8.23
Trading revenue	2,716	3,842	1,126	41.47
From interest rate exposures	707	1,566	859	121.60
From foreign exchange exposures	1,832	2,014	182	9.94
From equity security and index exposures	154	229	74	48.33
From commodity and other exposures	24	34	11	44.97
Total other noninterest income	38,846	46,340	7,494	19.29
Gains/losses on securities	1,585	418	(1,167)	(73.63)
Less: Noninterest expense	87,042	92,769	5,727	6.58
Salaries and employee benefits	33,916	36,607	2,691	7.94
Of premises and fixed assets	10,649	11,555	906	8.51
Other noninterest expense	42,478	44,607	2,129	5.01
Less: Taxes on income before extraordinary items	15,545	18,413	2,867	18.44
Income/loss from extraordinary items, net of income taxes	526	(32)	(558)	NM
Memoranda:				
Net operating income	27,418	32,816	5,398	19.69
Income before taxes and extraordinary items	43,990	51,500	7,510	17.07
Income net of taxes before extraordinary items	28,445	33,087	4,643	16.32
Cash dividends declared	18,066	21,662	3,596	19.91
Net charge-offs to loan and lease reserve	10,609	10,273	(336)	(3.16)
Charge-offs to loan and lease reserve	13,552	13,092	(460)	(3.40)
Less: Recoveries credited to loan and lease reserve	2,943	2,819	(125)	(4.23)

* Includes mortgage indebtedness

NM indicates calculated percent change is not meaningful.

Assets of national banks by asset size
September 30, 1999
(Dollar figures in millions)

	All national banks	National banks: Less than $100 million	National banks: $100 million to $1 billion	National banks: $1 billion to $10 billion	National banks: Greater than $10 billion	Memoranda: All commercial banks
Number of institutions reporting	2,383	1,213	993	130	47	8,621
Total assets	$3,227,312	$60,508	$264,225	$389,292	$2,513,287	$5,506,529
Cash and balances due from	189,839	3,312	11,772	19,188	155,567	322,060
Securities	559,331	16,790	70,588	90,407	381,545	1,033,169
Federal funds sold and securities purchased	101,975	2,838	7,695	10,108	81,334	225,149
Net loans and leases	2,028,292	34,759	161,373	241,328	1,590,832	3,300,294
Total loans and leases	2,065,991	35,228	163,771	246,497	1,620,495	3,358,519
Loans and leases, gross	2,067,857	35,328	164,072	246,574	1,621,883	3,362,067
Less: Unearned income	1,867	101	301	77	1,388	3,548
Less: Reserve for losses	37,699	469	2,399	5,169	29,662	58,225
Assets held in trading account	93,986	4	118	1,015	92,849	235,670
Other real estate owned	1,680	64	207	160	1,250	2,919
Intangible assets	70,951	193	1,728	7,854	61,176	86,835
All other assets	181,259	2,548	10,744	19,233	148,734	300,433
Gross loans and leases by type:						
Loans secured by real estate	806,872	19,914	98,096	119,044	569,816	1,428,705
1–4 family residential mortgages	398,316	9,447	44,416	58,519	285,934	689,811
Home equity loans	64,440	403	4,182	7,307	52,547	97,038
Multifamily residential mortgages	28,096	439	3,310	4,437	19,910	51,184
Commercial RE loans	212,281	5,794	33,734	35,408	137,345	403,823
Construction RE loans	64,367	1,506	8,376	11,815	42,670	123,935
Farmland loans	11,700	2,325	4,057	1,360	3,959	31,440
RE loans from foreign offices	27,672	0	23	197	27,452	31,474
Commercial and industrial loans	616,259	6,020	28,850	49,812	531,576	947,213
Loans to individuals	337,733	5,039	26,557	60,562	245,576	530,209
Credit cards	135,536	250	5,731	28,942	100,613	189,156
Installment loans	202,197	4,789	20,825	31,620	144,962	341,053
All other loans and leases	181,259	2,548	10,744	19,233	148,734	300,433
Securities by type:						
U.S. Treasury securities	59,088	2,033	6,935	7,007	43,113	114,961
Mortgage-backed securities	259,606	3,611	22,378	46,786	186,832	453,193
Pass-through securities	174,686	2,506	14,001	29,497	128,682	284,445
Collateralized mortgage obligations	84,921	1,106	8,377	17,288	58,150	168,748
Other securities	240,637	11,146	41,275	36,615	151,600	465,015
Other U.S. government securities	79,022	7,667	24,844	18,632	27,879	204,447
State and local government securities	39,817	2,739	11,881	7,694	17,502	88,462
Other debt securities	101,659	385	2,893	6,980	91,400	138,250
Equity securities	20,140	355	1,657	3,308	14,819	33,855
Memoranda:						
Agricultural production loans	20,098	3,776	5,509	2,602	8,210	46,537
Pledged securities	281,032	5,752	31,287	41,035	202,958	505,182
Book value of securities	568,671	16,994	71,539	91,697	388,442	1,048,201
Available-for-sale securities	513,350	13,333	57,551	75,168	367,298	903,477
Held-to-maturity securities	55,321	3,661	13,987	16,529	21,144	144,724
Market value of securities	558,765	16,762	70,442	90,187	381,374	1,031,337
Available-for-sale securities	504,010	13,130	56,601	73,878	360,402	888,445
Held-to-maturity securities	54,755	3,632	13,841	16,309	20,973	142,891

Past-due and nonaccrual loans and leases of national banks by asset size
September 30, 1999
(Dollar figures in millions)

	All national banks	National banks: Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	Memoranda: All commercial banks
Number of institutions reporting	2,383	1,213	993	130	47	8,621
Loans and leases past due 30–89 days	$24,165	$439	$1,935	$3,089	$18,703	$39,407
Loans secured by real estate	8,758	208	847	1,064	6,640	14,733
1–4 family residential mortgages	5,134	131	482	604	3,918	8,513
Home equity loans	485	3	33	65	384	727
Multifamily residential mortgages	536	3	20	11	501	643
Commercial RE loans	1,409	41	220	232	916	2,801
Construction RE loans	672	16	65	134	457	1,299
Farmland loans	94	15	26	16	36	250
RE loans from foreign offices	429	0	0	1	427	500
Commercial and industrial loans	4,482	131	463	468	3,420	8,233
Loans to individuals	8,744	98	579	1,341	6,727	13,032
Credit cards	3,561	6	225	727	2,604	5,092
Installment loans	5,182	92	354	613	4,123	7,940
All other loans and leases	2,182	1	47	217	1,916	3,409
Loans and leases past due 90+ days	6,397	118	551	1,102	4,627	9,957
Loans secured by real estate	1,786	52	203	283	1,248	3,011
1–4 family residential mortgages	1,233	25	108	185	915	1,909
Home equity loans	86	0	5	15	66	136
Multifamily residential mortgages	33	1	6	4	22	52
Commercial RE loans	283	12	55	54	162	572
Construction RE loans	102	2	13	19	68	197
Farmland loans	38	12	16	6	4	131
RE loans from foreign offices	11	0	0	(0)	11	14
Commercial and industrial loans	759	46	124	130	459	1,437
Loans to individuals	3,454	20	200	661	2,573	4,958
Credit cards	2,302	3	145	510	1,643	2,991
Installment loans	1,153	17	55	151	930	1,968
All other loans and leases	397	0	24	27	346	551
Nonaccrual loans and leases	13,444	239	915	1,028	11,262	22,376
Loans secured by real estate	5,447	107	465	541	4,334	8,772
1–4 family residential mortgages	2,310	39	176	228	1,868	3,789
Home equity loans	124	1	9	10	104	194
Multifamily residential mortgages	110	1	10	10	89	202
Commercial RE loans	1,760	32	201	237	1,291	2,880
Construction RE loans	289	4	30	39	215	649
Farmland loans	167	29	40	16	81	328
RE loans from foreign offices	687	0	0	(0)	687	729
Commercial and industrial loans	5,172	113	350	334	4,375	9,451
Loans to individuals	1,818	17	71	77	1,654	2,753
Credit cards	255	0	21	40	193	779
Installment loans	1,563	16	49	37	1,461	1,974
All other loans and leases	1,007	2	30	76	899	1,400

Liabilities of national banks by asset size
September 30, 1999
(Dollar figures in millions)

		National banks				Memoranda:
	All national banks	Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	All commercial banks
Number of institutions reporting	2,383	1,213	993	130	47	8,621
Total liabilities and equity capital	$3,227,312	$60,508	$264,225	$389,292	$2,513,287	$5,506,529
Deposits in domestic offices	$1,765,010	$51,114	$212,137	$247,665	$1,254,094	$3,099,738
Deposits in foreign offices	376,414	0	479	2,628	373,307	602,778
Total deposits	2,141,424	51,114	212,616	250,293	1,627,401	3,702,516
Noninterest to earnings	415,261	8,017	33,898	44,295	329,051	689,110
Interest bearing	1,726,163	43,097	178,718	205,998	1,298,350	3,013,406
Other borrowed funds	603,543	2,138	23,700	89,225	488,481	972,919
Subordinated notes and debentures	55,447	5	201	3,243	51,998	75,760
All other liabilities	150,017	577	3,021	8,198	138,221	286,782
Equity capital	276,881	6,674	24,687	38,334	207,186	468,552
Total deposits by depositor:						
Individuals and corporations	1,918,193	46,491	194,103	233,041	1,444,559	3,305,905
U.S., state, and local governments	74,863	3,864	14,736	11,132	45,130	145,883
Depositories in the U.S.	69,604	408	2,359	3,861	62,976	93,236
Foreign banks and governments	65,602	2	191	891	64,517	130,734
Certified and official checks	9,646	349	1,227	1,362	6,707	17,532
All other foreign office deposits	3,517	0	0	6	3,511	9,225
Domestic deposits by depositor:						
Individuals and corporations	1,649,716	46,491	193,769	230,985	1,178,471	2,886,165
U.S., state, and local governments	74,863	3,864	14,736	11,132	45,130	145,883
Depositories in the U.S.	28,014	408	2,349	3,828	21,429	42,895
Foreign banks and governments	3,740	2	55	358	3,324	8,348
Certified and official checks	8,678	349	1,227	1,362	5,739	16,446
Foreign deposits by depositor:						
Individuals and corporations	268,477	0	333	2,056	266,088	419,740
Depositories in the U.S.	41,590	0	10	33	41,546	50,341
Foreign banks and governments	61,862	0	136	533	61,193	122,386
Certified and official checks	968	0	0	0	968	1,087
All other deposits	3,517	0	0	6	3,511	9,225
Deposits in domestic offices by type:						
Transaction deposits	374,819	15,410	54,439	47,222	257,749	659,884
Demand deposits	310,941	8,007	32,168	37,742	233,024	514,900
NOW accounts	62,309	7,225	21,847	9,368	23,870	141,911
Savings deposits	776,663	10,719	62,144	109,369	594,430	1,252,623
Money market deposit accounts	522,219	5,689	37,594	69,003	409,933	824,463
Other savings deposits	254,444	5,030	24,550	40,366	184,497	428,160
Time deposits	613,528	24,985	95,554	91,074	401,915	1,187,230
Small time deposits	389,916	17,910	65,153	61,141	245,711	738,786
Large time deposits	223,613	7,075	30,401	29,933	156,204	448,445

Off-balance-sheet items of national banks by asset size
September 30, 1999
(Dollar figures in millions)

	All national banks	National banks: Less than $100 million	National banks: $100 million to $1 billion	National banks: $1 billion to $10 billion	National banks: Greater than $10 billion	Memoranda: All commercial banks
Number of institutions reporting	2,383	1,213	993	130	47	8,621
Unused commitments	$2,752,519	$80,657	$176,832	$319,039	$2,175,991	$3,897,907
Home equity lines	102,032	314	4,435	9,787	87,494	139,512
Credit card lines	1,564,316	76,156	145,517	248,906	1,093,737	2,032,706
Commercial RE, construction and land	76,731	1,104	7,434	11,715	56,478	139,355
All other unused commitments	1,009,440	3,083	19,445	48,630	938,282	1,586,334
Letters of credit:						
Standby letters of credit	138,079	145	1,638	7,398	128,897	220,296
Financial letters of credit	109,729	94	1,049	5,756	102,829	180,195
Performance letters of credit	28,350	51	588	1,642	26,068	40,101
Commercial letters of credit	18,101	34	611	627	16,830	27,077
Securities borrowed and lent:						
Securities borrowed	16,228	5	616	4,247	11,360	23,003
Securities lent	60,077	3	1,408	6,351	52,315	384,818
Financial assets transferred with recourse:						
Mortgages—outstanding principal balance	30,092	77	132	5,676	24,207	52,002
Mortgages—amount of recourse exposure	5,467	46	120	552	4,749	11,489
All other—outstanding principal balance	259,024	1	1,199	54,150	203,674	287,045
All other—amount of recourse exposure	16,912	0	252	2,911	13,749	20,063
Spot foreign exchange contracts	323,703	0	4	33	323,666	592,730
Credit derivatives (notional value)						
Reporting bank is the guarantor	30,361	0	20	30	30,311	100,549
Reporting bank is the beneficiary	39,209	0	0	0	39,209	133,583
Derivative contracts (notional value)	12,157,012	46	2,752	40,489	12,113,725	35,658,119
Futures and forward contracts	4,110,982	26	87	1,740	4,109,130	10,356,483
Interest rate contracts	1,685,550	26	37	1,346	1,684,141	5,838,919
Foreign exchange contracts	2,376,543	0	49	393	2,376,101	4,394,912
All other futures and forwards	48,889	0	0	0	48,889	122,652
Option contracts	3,021,372	20	752	8,386	3,012,213	7,711,943
Interest rate contracts	2,390,578	20	750	8,376	2,381,432	5,911,438
Foreign exchange contracts	461,394	0	0	1	461,393	1,221,835
All other options	169,400	0	2	9	169,388	578,669
Swaps	4,955,088	0	1,894	30,333	4,922,862	17,355,561
Interest rate contracts	4,733,221	0	1,894	29,662	4,701,665	16,483,161
Foreign exchange contracts	187,246	0	0	656	186,590	766,614
All other swaps	34,622	0	0	15	34,607	105,786
Memoranda: Derivatives by purpose						
Contracts held for trading	11,136,064	22	62	5,478	11,130,502	33,921,349
Contracts not held for trading	951,379	24	2,671	34,981	913,703	1,502,638
Memoranda: Derivatives by position						
Held for trading—positive fair value	129,529	0	0	110	129,420	410,183
Held for trading—negative fair value	125,474	0	0	37	125,438	398,525
Not for trading—positive fair value	5,805	0	10	103	5,692	8,926
Not for trading—negative fair value	6,123	0	11	196	5,916	9,506

Quarterly income and expenses of national banks by asset size
Third quarter 1999
(Dollar figures in millions)

	All national banks	National banks: Less than $100 million	National banks: $100 million to $1 billion	National banks: $1 billion to $10 billion	National banks: Greater than $10 billion	Memoranda: All commercial banks
Number of institutions reporting	2,383	1,213	993	130	47	8,621
Net income	$11,484	$179	$910	$1,734	$8,661	$19,417
Net interest income	29,396	628	2,775	3,922	22,072	48,902
Total interest income	54,933	1,103	4,865	6,987	41,978	92,434
On loans	42,356	805	3,653	5,320	32,578	68,794
From lease financing receivables	1,439	3	29	83	1,324	2,182
On balances due from depositories	554	11	33	40	469	1,292
On securities	8,923	243	1,042	1,369	6,268	15,895
From assets held in trading account	595	0	1	13	581	1,569
On federal funds sold and securities repurchased	1,065	42	106	161	757	2,702
Less: Interest expense	25,536	475	2,090	3,065	19,906	43,532
On deposits	16,652	441	1,786	1,891	12,534	29,691
Of federal funds purchased and securities sold	3,054	15	132	574	2,333	5,267
On demand notes and other borrowed money*	4,917	19	168	547	4,183	7,322
On subordinated notes and debentures	913	0	4	53	856	1,251
Less: Provision for losses	3,715	33	260	439	2,983	5,288
Noninterest income	23,352	425	1,450	3,087	18,390	36,903
From fiduciary activities	2,446	4	276	282	1,884	5,070
Service charges on deposits	3,804	75	281	440	3,009	5,530
Trading revenue	1,115	3	4	40	1,067	2,160
From interest rate exposures	364	3	4	31	326	816
From foreign exchange exposures	662	0	0	(1)	662	1,068
From equity security and index exposures	62	0	0	8	55	202
From commodity and other exposures	27	0	0	3	25	74
Total other noninterest income	15,915	343	817	2,325	12,429	24,071
Gains/losses on securities	(170)	(0)	(2)	(18)	(150)	(197)
Less: Noninterest expense	30,973	772	2,640	3,870	23,692	49,969
Salaries and employee benefits	12,273	305	1,107	1,323	9,538	21,131
Of premises and fixed assets	3,857	81	311	417	3,048	6,386
Other noninterest expense	14,843	387	1,222	2,129	11,105	22,452
Less: Taxes on income before extraordinary items	6,406	69	413	948	4,976	10,934
Income/loss from extraordinary items, net of taxes	(32)	(1)	0	(6)	(26)	(33)
Memoranda:						
Net operating income	11,600	179	912	1,745	8,765	19,570
Income before taxes and extraordinary items	17,891	247	1,324	2,682	13,638	30,351
Income net of taxes before extraordinary items	11,484	179	911	1,734	8,661	19,417
Cash dividends declared	7,446	68	337	588	6,453	12,879
Net loan and lease losses	3,370	21	159	543	2,647	4,833
Charge-offs to loan and lease reserve	4,305	31	232	666	3,377	6,196
Less: Recoveries credited to loan and lease reserve	935	10	73	123	730	1,364

* Includes mortgage indebtedness

Year-to-date income and expenses of national banks by asset size
Through September 30, 1999
(Dollar figures in millions)

	National banks					Memoranda:
	All national banks	Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	All commercial banks
Number of institutions reporting	2,383	1,213	993	130	47	8,621
Net income	$33,055	$554	$2,890	$4,637	$24,974	$54,273
Net interest income	86,808	1,990	7,965	11,420	65,433	143,850
Total interest income	162,085	3,468	14,010	20,184	124,424	272,222
On loans	122,760	2,581	10,436	15,344	94,398	199,326
From lease financing receivables	5,202	9	81	245	4,867	7,389
On balances due from depositories	2,290	32	89	141	2,028	4,472
On securities	26,115	710	3,060	3,920	18,426	46,435
From assets held in trading account	1,934	0	4	46	1,884	5,335
On federal funds sold and securities repurchased	3,785	137	339	488	2,821	9,265
Less: Interest expense	75,277	1,478	6,044	8,764	58,991	128,372
On deposits	50,116	1,308	5,241	5,600	37,968	88,492
Of federal funds purchased and securities sold	9,139	32	363	1,474	7,270	15,679
On demand notes and other borrowed money*	13,431	134	428	1,539	11,329	20,595
On subordinated notes and debentures	2,591	5	12	150	2,423	3,606
Less: Provision for losses	11,426	250	647	1,509	9,020	15,606
Noninterest income	68,469	1,288	4,468	8,588	54,125	106,022
From fiduciary activities	7,270	12	834	831	5,593	15,015
Service charges on deposits	11,017	207	799	1,267	8,744	15,941
Trading revenue	3,842	8	10	95	3,730	7,931
From interest rate exposures	1,566	8	9	67	1,482	3,044
From foreign exchange exposures	2,014	0	1	(1)	2,013	3,771
From equity security and index exposures	229	0	0	20	208	756
From commodity and other exposures	34	0	0	8	26	360
Total other noninterest income	46,340	1,061	2,826	6,394	36,059	67,134
Gains/losses on securities	418	2	21	32	363	511
Less: Noninterest expense	92,769	2,257	7,581	11,364	71,568	150,226
Salaries and employee benefits	36,607	904	3,262	3,939	28,501	63,975
Of premises and fixed assets	11,555	234	908	1,231	9,182	18,956
Other noninterest expense	44,607	1,118	3,412	6,193	33,884	67,295
Less: Taxes on income before extraordinary items	18,413	217	1,338	2,524	14,334	30,245
Income/loss from extraordinary items, net of taxes	(32)	(1)	0	(6)	(26)	(33)
Memoranda:						
Net operating income	32,816	554	2,875	4,621	24,767	54,022
Income before taxes and extraordinary items	51,500	772	4,227	7,167	39,333	84,551
Income net of taxes before extraordinary items	33,087	555	2,890	4,643	25,000	54,305
Cash dividends declared	21,662	295	1,609	2,415	17,343	35,869
Net loan and lease losses	10,273	201	437	1,511	8,123	14,385
Charge-offs to loan and lease reserve	13,092	249	624	1,870	10,349	18,530
Less: Recoveries credited to loan and lease reserve	2,819	48	187	359	2,226	4,145

* Includes mortgage indebtedness

Quarterly net loan and lease losses of national banks by asset size
Third quarter 1999
(Dollar figures in millions)

	All national banks	National banks: Less than $100 million	National banks: $100 million to $1 billion	National banks: $1 billion to $10 billion	National banks: Greater than $10 billion	Memoranda: All commercial banks
Number of institutions reporting	2,383	1,213	993	130	47	8,621
Net charge-offs to loan and lease reserve	$3,370	$21	$159	$543	$2,647	$4,833
Loans secured by real estate	258	2	8	29	219	334
1–4 family residential mortgages	189	1	5	19	163	241
Home equity loans	27	0	0	4	23	34
Multifamily residential mortgages	1	(0)	(0)	1	1	(2)
Commercial RE loans	28	0	3	6	19	40
Construction RE loans	2	0	1	0	2	6
Farmland loans	3	(0)	(0)	0	3	5
RE loans from foreign offices	8	0	0	(0)	8	11
Commercial and industrial loans	681	11	32	68	570	1,244
Loans to individuals	2,276	8	118	435	1,714	3,036
Credit cards	1,559	1	90	361	1,106	2,091
Installment loans	716	7	28	74	608	945
All other loans and leases	155	0	1	11	143	219
Charge-offs to loan and lease reserve	4,305	31	232	666	3,377	6,196
Loans secured by real estate	348	3	14	40	291	463
1–4 family residential mortgages	213	2	7	23	181	280
Home equity loans	37	0	1	5	31	47
Multifamily residential mortgages	3	0	0	1	2	3
Commercial RE loans	68	1	5	9	53	98
Construction RE loans	6	0	1	1	5	13
Farmland loans	5	0	1	0	4	8
RE loans from foreign offices	14	0	0	(0)	14	16
Commercial and industrial loans	849	15	47	84	703	1,564
Loans to individuals	2,899	12	166	525	2,196	3,863
Credit cards	1,931	2	121	418	1,390	2,572
Installment loans	968	10	45	107	806	1,291
All other loans and leases	210	0	6	16	187	307
Recoveries credited to loan and lease reserve	935	10	73	123	730	1,364
Loans secured by real estate	89	1	6	11	71	129
1–4 family residential mortgages	24	0	2	4	18	38
Home equity loans	10	0	0	1	9	13
Multifamily residential mortgages	2	0	0	0	2	4
Commercial RE loans	40	0	3	4	33	58
Construction RE loans	4	0	0	1	3	8
Farmland loans	2	0	1	0	1	3
RE loans from foreign offices	6	0	0	0	6	5
Commercial and industrial loans	168	4	15	17	132	320
Loans to individuals	624	4	48	90	482	826
Credit cards	372	1	31	57	284	481
Installment loans	251	3	17	33	198	346
All other loans and leases	54	0	4	5	44	88

Year-to-date net loan and lease losses of national banks by asset size
Through September 30, 1999
(Dollar figures in millions)

	All national banks	National banks: Less than $100 million	National banks: $100 million to $1 billion	National banks: $1 billion to $10 billion	National banks: Greater than $10 billion	Memoranda: All commercial banks
Number of institutions reporting	2,383	1,213	993	130	47	8,621
Net charge-offs to loan and lease reserve	10,273	201	437	1,511	8,123	14,385
Loans secured by real estate	538	5	24	73	437	721
1–4 family residential mortgages	363	3	14	52	295	501
Home equity loans	89	0	1	11	76	109
Multifamily residential mortgages	1	(0)	1	1	(1)	(3)
Commercial RE loans	41	2	7	3	29	59
Construction RE loans	13	0	1	4	8	27
Farmland loans	4	(0)	(0)	1	4	8
RE loans from foreign offices	26	0	0	0	26	21
Commercial and industrial loans	2,172	28	90	137	1,917	3,530
Loans to individuals	7,074	168	313	1,275	5,318	9,439
Credit cards	5,162	150	232	1,074	3,706	6,890
Installment loans	1,912	18	81	201	1,612	2,549
All other loans and leases	490	0	12	27	451	696
Charge-offs to loan and lease reserve	13,092	249	624	1,870	10,349	18,530
Loans secured by real estate	860	8	40	110	702	1,200
1–4 family residential mortgages	438	4	20	63	351	623
Home equity loans	123	0	2	16	105	152
Multifamily residential mortgages	9	0	2	2	5	14
Commercial RE loans	206	3	14	22	168	291
Construction RE loans	29	1	1	6	21	53
Farmland loans	10	0	1	2	6	18
RE loans from foreign offices	45	0	0	(0)	45	47
Commercial and industrial loans	2,685	41	133	193	2,318	4,464
Loans to individuals	8,837	199	431	1,524	6,682	11,855
Credit cards	6,096	171	299	1,223	4,403	8,188
Installment loans	2,741	28	132	301	2,279	3,667
All other loans and leases	711	0	20	43	647	1,012
Recoveries credited to loan and lease reserve	2,819	48	187	359	2,226	4,145
Loans secured by real estate	323	4	16	37	265	479
1–4 family residential mortgages	75	2	6	11	56	122
Home equity loans	35	0	1	4	30	43
Multifamily residential mortgages	7	0	0	1	6	18
Commercial RE loans	165	1	7	18	139	233
Construction RE loans	16	0	0	2	13	27
Farmland loans	6	1	2	1	3	10
RE loans from foreign offices	19	0	0	(0)	19	26
Commercial and industrial loans	513	13	43	56	400	934
Loans to individuals	1,762	31	119	250	1,364	2,417
Credit cards	934	21	67	149	697	1,298
Installment loans	828	10	51	101	667	1,118
All other loans and leases	220	0	8	16	196	316

Number of national banks by state and asset size
September 30, 1999

	All national banks	National banks: Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	Memoranda: All commercial banks
All institutions	2,383	1,213	993	130	47	8,621
Alabama	26	13	12	0	1	158
Alaska	3	1	0	2	0	6
Arizona	17	8	5	2	2	46
Arkansas	49	17	31	1	0	195
California	89	36	46	5	2	328
Colorado	60	40	17	2	1	189
Connecticut	7	3	4	0	0	25
Delaware	14	3	7	1	3	32
District of Columbia	5	2	3	0	0	6
Florida	86	37	36	13	0	266
Georgia	69	33	34	2	0	342
Hawaii	1	0	1	0	0	11
Idaho	1	0	1	0	0	17
Illinois	211	94	106	8	3	728
Indiana	35	10	20	3	2	164
Iowa	45	25	19	1	0	437
Kansas	109	81	27	1	0	389
Kentucky	59	30	26	2	1	253
Louisiana	19	11	5	1	2	155
Maine	5	1	4	0	0	16
Maryland	17	4	11	2	0	77
Massachusetts	14	5	6	2	1	44
Michigan	37	16	18	1	2	172
Minnesota	135	82	47	4	2	502
Mississippi	20	7	12	1	0	99
Missouri	50	26	20	3	1	369
Montana	18	13	3	2	0	85
Nebraska	93	68	22	3	0	305
Nevada	8	1	3	4	0	27
New Hampshire	6	2	3	0	1	20
New Jersey	25	2	15	7	1	75
New Mexico	20	6	11	3	0	55
New York	64	17	38	7	2	153
North Carolina	10	2	3	2	3	70
North Dakota	18	9	7	2	0	114
Ohio	93	43	38	7	5	217
Oklahoma	115	76	35	4	0	303
Oregon	4	1	3	0	0	44
Pennsylvania	94	26	61	4	3	194
Rhode Island	2	0	0	1	1	6
South Carolina	21	14	6	1	0	79
South Dakota	23	12	9	1	1	103
Tennessee	33	8	18	4	3	202
Texas	382	248	125	6	3	759
Utah	8	2	3	2	1	48
Vermont	10	3	6	1	0	20
Virginia	34	12	19	3	0	144
Washington	16	13	3	0	0	80
West Virginia	26	10	12	4	0	82
Wisconsin	57	29	25	3	0	343
Wyoming	20	11	7	2	0	49
U.S. territories	0	0	0	0	0	18

Total assets of national banks by state and asset size
September 30, 1999
(Dollar figures in millions)

	All national banks	National banks: Less than $100 million	National banks: $100 million to $1 billion	National banks: $1 billion to $10 billion	National banks: Greater than $10 billion	Memoranda: All commercial banks
All institutions	$3,227,312	$60,508	$264,225	$389,292	$2,513,287	$5,506,529
Alabama	46,377	862	3,141	0	42,374	152,529
Alaska	4,538	50	0	4,488	0	5,451
Arizona	43,443	205	2,570	6,474	34,195	46,956
Arkansas	10,629	1,009	7,815	1,805	0	26,406
California	150,942	1,832	14,746	16,448	117,915	271,656
Colorado	22,158	1,853	4,008	5,577	10,719	39,989
Connecticut	833	190	643	0	0	3,705
Delaware	84,513	166	2,226	2,262	79,859	123,606
District of Columbia	517	55	462	0	0	618
Florida	43,415	2,117	8,442	32,857	0	83,850
Georgia	23,205	1,650	10,297	11,257	0	80,507
Hawaii	300	0	300	0	0	23,654
Idaho	206	0	206	0	0	2,038
Illinois	181,285	4,900	27,533	22,759	126,093	296,784
Indiana	43,891	515	8,205	7,531	27,641	68,545
Iowa	11,280	1,308	4,279	5,693	0	44,072
Kansas	13,472	3,618	7,645	2,210	0	33,878
Kentucky	24,538	1,970	4,870	7,585	10,112	51,121
Louisiana	34,987	661	1,086	5,232	28,009	49,770
Maine	1,312	46	1,267	0	0	4,964
Maryland	5,962	291	2,862	2,810	0	45,318
Massachusetts	75,422	314	1,170	2,397	71,541	147,315
Michigan	35,154	812	4,133	2,430	27,778	139,985
Minnesota	127,796	3,771	11,150	8,652	104,222	148,593
Mississippi	9,837	306	2,888	6,644	0	28,856
Missouri	44,495	1,239	5,707	17,173	20,377	78,006
Montana	3,346	471	419	2,456	0	9,979
Nebraska	15,889	3,094	5,035	7,760	0	27,745
Nevada	17,312	33	472	16,807	0	27,891
New Hampshire	11,124	53	618	0	10,453	19,839
New Jersey	53,743	77	4,959	20,535	28,172	106,202
New Mexico	12,026	285	3,684	8,056	0	15,917
New York	386,910	1,064	11,312	12,736	361,798	1,100,627
North Carolina	849,589	54	980	2,813	845,741	916,487
North Dakota	6,273	398	2,339	3,536	0	11,393
Ohio	240,395	2,142	12,992	26,806	198,455	294,204
Oklahoma	23,490	3,799	6,693	12,998	0	38,591
Oregon	614	4	610	0	0	6,941
Pennsylvania	151,274	1,482	18,844	11,414	119,534	193,659
Rhode Island	86,033	0	0	5,558	80,475	94,495
South Carolina	3,973	571	1,792	1,611	0	19,920
South Dakota	22,676	430	2,844	5,830	13,573	30,208
Tennessee	92,019	529	4,792	14,028	72,671	111,932
Texas	125,468	12,180	28,833	20,487	63,968	175,985
Utah	26,594	109	531	8,345	17,609	51,492
Vermont	3,595	182	1,647	1,766	0	7,675
Virginia	12,684	478	4,538	7,668	0	76,863
Washington	1,436	598	837	0	0	13,080
West Virginia	13,902	533	3,196	10,174	0	22,812
Wisconsin	20,877	1,712	7,497	11,667	0	80,761
Wyoming	5,561	490	1,112	3,959	0	8,476
U.S. territories	0	0	0	0	0	45,180

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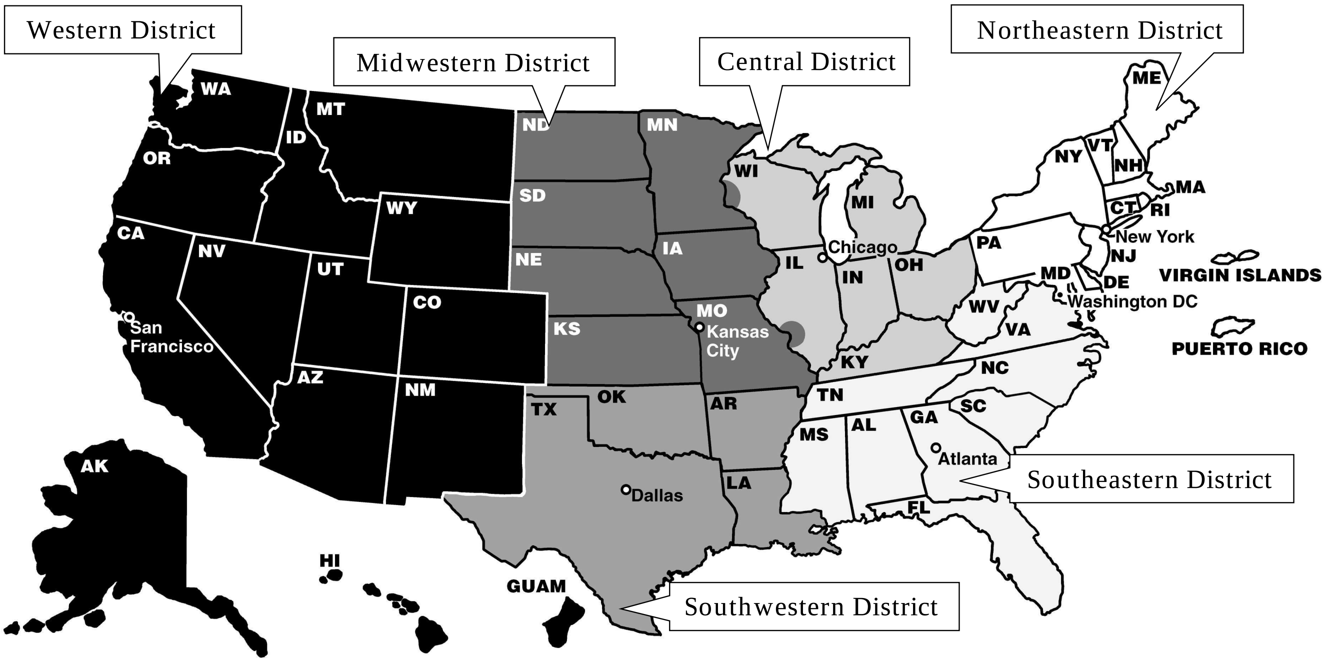

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