# Profits and Balance Sheet Developments at U.S. Commercial Banks in 2005

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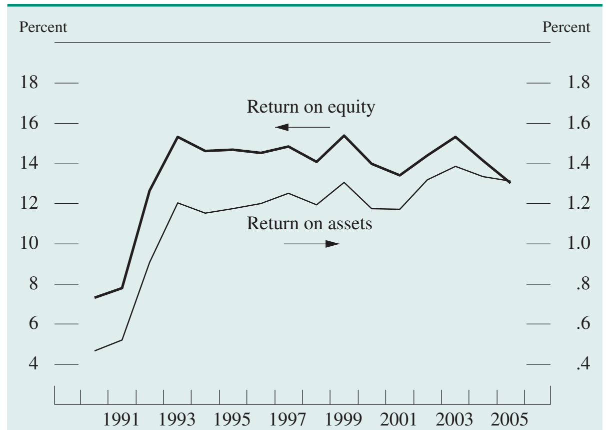
The profitability of the U.S. commercial banking industry remained strong again in 2005, although it was a bit below the levels of recent years. Asset quality was still sound, but pressure on net interest margins lowered the return on assets, and an increase in equity relative to assets—owing to an accumulation of goodwill from recent large mergers—pushed down the return on equity more substantially (figure 1). Growth in industry assets remained solid.

These bank profit and balance sheet developments were in large part attributable to the generally favorable financial and economic conditions of the U.S. economy in 2005. On the financial front, short- and intermediate-term interest rates increased as monetary policy tightening lifted the target federal funds rate 2 percentage points during the year (figure 2). Longer-term interest rates remained quite low, however, and thus the Treasury yield curve flattened considerably. Interest rates on fixed-rate home-mortgage loans were relatively low over most of 2005, although they rose somewhat late in the year. Corporate risk spreads stayed quite narrow by historical standards.

1. Bank profitability, 1990–2005




NOTE: The data are annual.

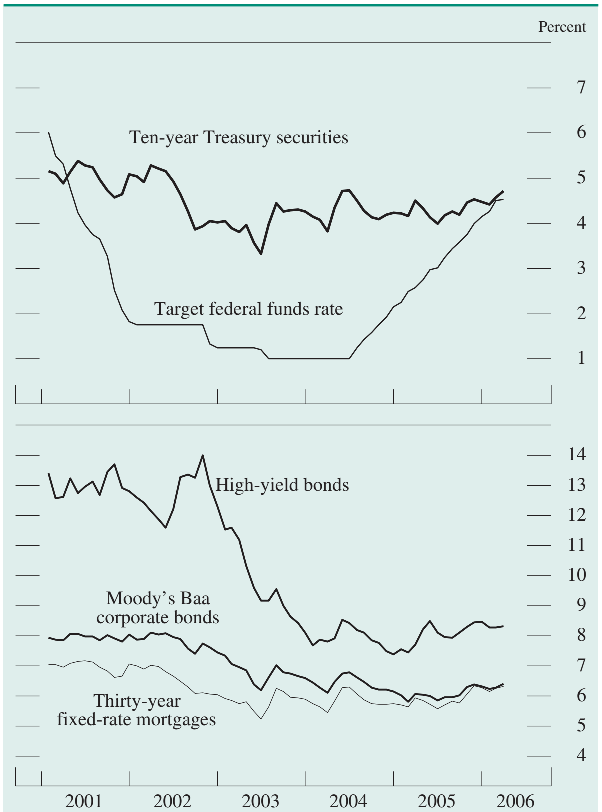
The U.S. economy continued to expand at a solid pace in 2005. In the household sector, consumer spending remained vigorous despite higher energy prices; it was supported by an improving labor market and gains in household wealth that reflected further substantial increases in house prices. The low level of residential mortgage interest rates last year spurred sales of both new and existing homes to record levels, although sales cooled somewhat late in the year. Mortgage refinancing rose for a time during the first half of the year but dropped back in the second half.

In the corporate sector, investment spending expanded at a solid pace, buoyed by robust growth in final sales. Corporate profits posted strong gains, and firms maintained ample stocks of liquid assets. As a result, businesses financed much of their capital expenditures out of internal funds. Nonetheless, elevated merger and acquisition activity and a considerable rise in share buybacks contributed to a pickup in business borrowing, particularly in the form of commercial and industrial (C&I) loans. The growth in

NOTE: The data in this article cover insured domestic commercial banks and nondeposit trust companies (hereafter, banks). Except where otherwise indicated, the data are from the Consolidated Reports of Condition and Income (Call Report). The Call Report consists of two forms submitted by domestic banks to the Federal Financial Institutions Examination Council: FFIEC 031 (for those with domestic and foreign offices) and FFIEC 041 (for those with domestic offices only). The data thus consolidate information from foreign and domestic offices, and they have been adjusted to take account of mergers and the effects of push-down accounting. For additional information on the adjustments to the data, see the appendix in William B. English and William R. Nelson (1998), "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1997," *Federal Reserve Bulletin*, vol. 84 (June), p. 408. Size categories, based on assets at the start of each quarter, are as follows: the 10 largest banks, large banks (those ranked 11 through 100), medium-sized banks (those ranked 101 through 1,000), and small banks. At the start of the fourth quarter of 2005, the approximate asset sizes of the banks in those groups were as follows: the ten largest banks, more than \$87.6 billion; large banks, \$7.3 billion to \$85.7 billion; medium-sized banks, \$457 million to \$7.2 billion; and small banks, less than \$457 million.

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

2. Selected interest rates, 2001–06




NOTE: The data are monthly and extend through March 2006.
SOURCE: For Treasury securities, mortgages, and Moody's corporate bonds, Federal Reserve Board, Statistical Release H.15, "Selected Interest Rates" (www.federalreserve.gov/releases/h15); for federal funds, Federal Reserve Board (www.federalreserve.gov/fomc/fundsrate.htm); for high-yield bonds, Merrill Lynch Master II index.

C&I loans was also fueled by increased availability; banks reported that they eased standards and terms on C&I loans throughout the year. At the same time, higher prices for commercial properties supported growth in commercial mortgages.

These financial and economic conditions left an imprint on banks' balance sheets. The relatively low level of fixed mortgage interest rates and the rapid climb in the prices of residential and commercial real estate spurred the demand for bank loans secured by real estate, and the share of bank assets attributable to real estate loans rose to nearly one-third. Although the growth in residential mortgage lending by banks slowed somewhat toward the end of the year, the pace of commercial real estate lending remained vigorous. C&I lending surged in 2005, and the share of such loans in banks' assets edged higher for the first time in several years. In contrast, consumer loan growth was anemic, as households apparently continued to favor mortgage financing over relatively high-cost consumer loans.[1] For both households and businesses, the combination of rising short-term market interest rates and banks' deposit pricing policies reduced the relative attractiveness of core deposits. As a result, core deposits grew relatively slowly, while banks continued to issue managed liabilities at a brisk pace.[2]

Other developments in 2005 also strongly influenced banks' profitability. As the yield curve flattened considerably, net interest margins were squeezed at large banks, but the general increase in the level of short-term rates led to a widening of the net interest margin at smaller banks, whose liabilities tend to reprice more slowly than those held by larger banks. Competition in business lending likely also contributed to narrower spreads of loan rates over banks' cost of funds. At the same time, strong non-interest income, especially trading revenue, and a significant drop in non-interest expense helped shore up bank profitability. Robust business balance sheets and increases in household wealth kept overall credit quality high. But changes to the bankruptcy law and the devastation caused by last year's hurricanes reduced earnings at some banks. Despite these challenges, loss provisions as a share of assets remained at about the level of 2004, and overall, delinquency and charge-off rates fell for the year.

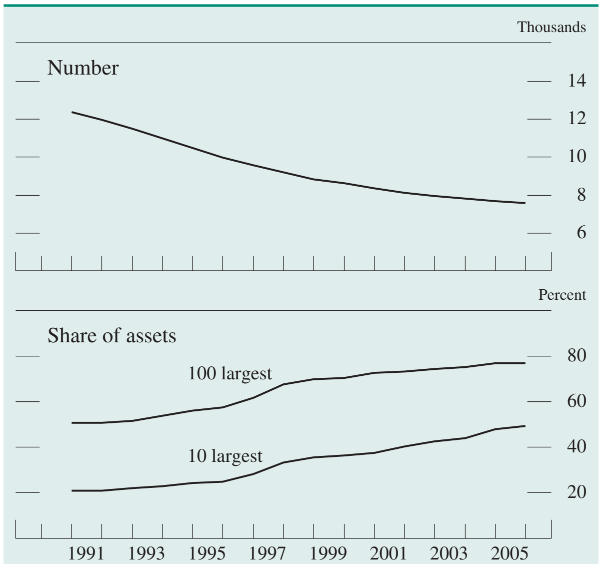
The number of new banks increased for the third year in a row, but the number of consolidations of one bank charter into another also increased, pulling the number of banks at year-end down to 7,569 from 7,677 at year-end 2004 (figure 3). Merger activity at the 10 largest institutions slowed from the pace in 2004, and the share of industry assets at these banks rose only 1.4 percentage points, to 49.4 percent, at year-end. The share held at the 100 largest banks was steady at 76.9 percent. According to the Federal Deposit Insurance Corporation (FDIC), 2005 was the first year without any bank failures since 1934, when federal deposit insurance began.

The number of mergers at the bank holding company level moderated a bit, as did the rate at which bank holding companies formed. At year-end 2005, there were 5,155 bank holding companies, 6 more than at year-end 2004 (for multitiered bank holding companies, only the top-tier organization is counted

1. In this article, consumer loans consist of loans to households that are not secured by real estate, and they include credit card loans.

2. In this article, core deposits consist of transaction deposits, savings deposits (including money market deposit accounts), and small time deposits. Managed liabilities consist of large time deposits in domestic offices, deposits booked in foreign offices, subordinated notes and debentures, federal funds purchased and securities sold under repurchase agreements, Federal Home Loan Bank advances, and other borrowed money.

3. Number of banks, and share of assets at the largest banks, 1990–2005




NOTE: The data are as of year-end. For the definition of bank size, refer to the general note on the first page of the main text.

for this article). The share of bank holding company assets at the 50 largest bank holding companies with major commercial banking operations remained relatively steady at 74 percent.[3] The number of financial holding companies fell moderately, from 639 at year-end 2004 to 625 at year-end 2005. Most of the largest bank holding companies have elected to become financial holding companies. Consequently, at the end of 2005, about 84 percent of the assets of bank holding companies were held by financial holding companies.[4]

## BALANCE SHEET DEVELOPMENTS

Total bank assets grew 7.7 percent in 2005, about 3 percentage points slower than in 2004 but in line with the average pace over the preceding five years (table 1). The growth of assets last year was driven mainly by lending secured by real estate. Continued economic expansion and relatively low long-term interest rates supported hefty increases in lending in both residential and commercial real estate markets. A surge in C&I lending, fueled by favorable demand and supply conditions, also supported the growth of assets. Overall, total loans and leases expanded 10.4 percent; this ample loan volume led banks to increase their securities holdings only 2.4 percent.

On the other side of the balance sheet, liabilities expanded 7.7 percent on a year-end basis, a rate in line with the gain in assets and nearly 2 percentage points lower than in 2004. Growth in core deposits fell back a bit; given banks' deposit pricing policies, rising short-term interest rates damped the relative attractiveness of liquid deposits for businesses and households. The expansion in managed liabilities, however, remained brisk.

Banks continued to add to their capital positions; on an annual average basis, bank capital as a share of average net consolidated assets edged up for the second year in a row, to 10.1 percent. This ratio has risen over the past decade under the influence of three trends: Banks' retained earnings have increased, paid-in capital from parent holding companies has moved higher on balance, and industry mergers and acquisitions have augmented the value of goodwill on banks' books. Regulatory capital ratios moved down a little in 2005 but remained high.

### *Loans to Businesses*

U.S. nonfinancial corporations needed only limited recourse to external funds last year given strong cash positions and robust profits. Firms' net financing gap dropped into negative territory at the end of the year (figure 4).[5] This decline also partly reflected temporary tax provisions that encouraged the repatriation of profits held at foreign subsidiaries. Net corporate bond issuance was subdued in 2005, but C&I loan growth surged to 12.5 percent. Apparently, a rise in mergers and acquisitions and a considerable increase in share buybacks significantly lifted the demand for bank financing. In addition, commercial real estate

3. The 50 largest bank holding companies are defined here as the 50 largest (as measured by total consolidated assets) after the exclusion of a few institutions whose commercial banking operations account for only a small portion of their assets and earnings. The quarterly article in the *Federal Reserve Bulletin*, "Report on the Condition of the U.S. Banking Industry," at www.federalreserve.gov/pubs/bulletin/default.htm, provides information on the 50 large bank holding companies (the 50 largest as defined here) and on the banking industry from the perspective of bank holding companies (including financial holding companies) that file reports FR Y-9C and FR Y-9LP; currently, only about 2,300 top-tier bank holding companies are required to file those reports (refer to "Report on the Condition" table 1, last row, and note 1).

4. Financial holding company statistics include both domestic bank holding companies that have elected to become financial holding companies and foreign banking organizations operating in the United States as financial holding companies and subject to the Bank Holding Company Act. For more information, refer to Board of Governors of the Federal Reserve System (2003), *Report to the Congress on Financial Holding Companies under the Gramm-Leach-Bliley Act* (Washington: Board of Governors, November), at www.federalreserve.gov/pubs/reports_other.htm.

5. The net financing gap is defined here as the four-quarter moving average of the difference between capital expenditures and U.S. funds generated internally.

1. Change in balance sheet items, all U.S. banks, 1996–2005

Percent

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Memo Dec. 2005 (billions of dollars) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets | 6.13 | 9.22 | 8.18 | 5.44 | 8.76 | 5.11 | 7.19 | 7.19 | 10.78 | 7.72 | 8,897 |
| Interest-earning assets | 5.82 | 8.66 | 8.20 | 5.83 | 8.66 | 3.96 | 7.54 | 7.28 | 11.29 | 7.96 | 7,727 |
| Loans and leases, net | 8.17 | 5.32 | 8.76 | 8.03 | 9.24 | 1.82 | 5.90 | 6.52 | 11.20 | 10.38 | 5,227 |
| Commercial and industrial | 7.24 | 12.02 | 12.94 | 7.88 | 8.54 | −6.73 | −7.41 | −4.56 | 4.35 | 12.54 | 1,012 |
| Real estate | 5.45 | 9.30 | 7.99 | 12.22 | 10.74 | 7.94 | 14.43 | 9.78 | 15.41 | 13.80 | 2,954 |
| Booked in domestic offices | 5.51 | 9.53 | 7.97 | 12.36 | 11.02 | 8.02 | 14.85 | 9.68 | 15.08 | 13.92 | 2,902 |
| One- to four-family residential | 4.66 | 9.67 | 6.36 | 9.70 | 9.28 | 5.70 | 19.85 | 10.05 | 15.79 | 12.10 | 1,645 |
| Other | 6.75 | 9.32 | 10.29 | 16.06 | 13.31 | 10.95 | 8.81 | 9.20 | 14.14 | 16.41 | 1,257 |
| Booked in foreign offices | 3.18 | .34 | 8.79 | 6.28 | −1.62 | 3.97 | −7.41 | 15.74 | 35.59 | 7.19 | 52 |
| Consumer | 5.12 | −2.19 | .34 | −1.49 | 8.04 | 4.16 | 6.55 | 9.32 | 10.11 | 2.26 | 799 |
| Other loans and leases | 22.28 | −7.91 | 13.95 | 6.71 | 7.01 | −2.02 | −.03 | 8.31 | 3.57 | −.18 | 531 |
| Loan-loss reserves and unearned income | .04 | −.45 | 3.11 | 2.34 | 7.99 | 13.15 | 5.73 | −2.68 | −4.19 | −5.72 | 69 |
| Securities | .86 | 8.85 | 8.40 | 5.11 | 6.36 | 7.22 | 16.21 | 9.43 | 10.58 | 2.39 | 1,882 |
| Investment account | −1.10 | 8.66 | 12.06 | 6.68 | 2.86 | 8.88 | 13.54 | 8.70 | 6.15 | 1.18 | 1,528 |
| U.S. Treasury | −14.28 | −8.85 | −25.17 | −1.89 | −32.72 | −40.27 | 41.92 | 14.14 | −15.87 | −17.60 | 50 |
| U.S. government agency and corporation obligations | 3.63 | 14.18 | 17.00 | 1.83 | 3.75 | 12.85 | 18.11 | 9.67 | 9.46 | −1.85 | 970 |
| Other | 1.83 | 11.21 | 26.99 | 20.90 | 13.39 | 12.18 | 2.72 | 5.98 | 3.02 | 10.16 | 508 |
| Trading account | 14.44 | 10.00 | −13.32 | −6.93 | 37.16 | −3.72 | 36.12 | 14.01 | 36.81 | 7.96 | 354 |
| Other | 1.06 | 38.54 | 3.79 | −8.37 | 10.30 | 13.02 | −2.92 | 6.83 | 14.28 | 5.83 | 617 |
| Non-interest-earning assets | 8.29 | 13.03 | 8.10 | 2.90 | 9.45 | 12.79 | 5.10 | 6.61 | 7.60 | 6.18 | 1,170 |
| Liabilities | 5.99 | 9.11 | 8.06 | 5.58 | 8.59 | 4.45 | 7.13 | 7.25 | 9.55 | 7.74 | 8,003 |
| Core deposits | 4.13 | 4.52 | 7.04 | .23 | 7.53 | 10.55 | 7.58 | 7.30 | 8.25 | 6.50 | 4,233 |
| Transaction deposits | −3.44 | −4.55 | −1.41 | −8.97 | −1.31 | 10.21 | −5.12 | 2.83 | 3.20 | −1.07 | 736 |
| Savings deposits (including MMDAs) | 13.83 | 12.96 | 18.32 | 6.68 | 12.51 | 20.68 | 18.46 | 13.71 | 11.72 | 6.89 | 2,745 |
| Small time deposits | 2.25 | 4.18 | .53 | −.76 | 7.20 | −7.23 | −4.92 | −6.77 | 1.58 | 13.47 | 751 |
| Managed liabilities[1] | 9.73 | 13.79 | 9.44 | 15.54 | 8.79 | −2.73 | 5.34 | 6.97 | 12.06 | 12.11 | 3,263 |
| Large time deposits | 21.17 | 20.15 | 9.09 | 14.19 | 19.37 | −3.64 | 5.05 | 1.43 | 21.86 | 22.33 | 862 |
| Deposits booked in foreign offices | 4.27 | 11.13 | 8.71 | 14.60 | 7.84 | −10.96 | 4.49 | 12.63 | 16.84 | 6.32 | 920 |
| Subordinated notes and debentures | 17.74 | 21.05 | 17.00 | 5.07 | 13.98 | 9.56 | −.59 | 5.08 | 10.49 | 11.41 | 122 |
| Gross federal funds purchased and RPs | −2.20 | 30.51 | 4.35 | 1.56 | 6.49 | 5.72 | 12.75 | −8.70 | 8.40 | 15.64 | 635 |
| Other managed liabilities | 19.73 | −4.04 | 15.65 | 35.27 | 1.80 | −.28 | .97 | 22.01 | 1.37 | 6.15 | 725 |
| Revaluation losses held in trading accounts | 8.89 | 36.94 | 3.44 | −13.20 | 7.47 | −17.06 | 33.44 | 14.02 | −12.61 | −17.96 | 135 |
| Other | −1.30 | 14.82 | 12.75 | −1.27 | 20.61 | 14.90 | 5.22 | 5.29 | 17.08 | −1.70 | 373 |
| Capital account | 7.77 | 10.44 | 9.53 | 3.89 | 10.65 | 12.30 | 7.83 | 6.63 | 23.14 | 7.60 | 893 |
| Memo | | | | | | | | | | | |
| Commercial real estate loans[2] | 7.67 | 10.13 | 11.37 | 15.42 | 12.16 | 13.10 | 6.82 | 8.99 | 13.87 | 16.71 | 1,255 |
| Mortgage-backed securities | 2.06 | 14.16 | 22.12 | −3.34 | 3.29 | 29.05 | 15.56 | 10.10 | 13.45 | 2.06 | 882 |
| Federal Home Loan Bank advances | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 17.21 | 3.74 | 3.73 | 9.99 | 269 |

Note: Data are from year-end to year-end.

1. Measured as the sum of large time deposits in domestic offices, deposits booked in foreign offices, subordinated notes and debentures, federal funds purchased and securities sold under repurchase agreements, Federal Home Loan Bank advances, and other borrowed money.

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

n.a. Not available.

MMDA Money market deposit account.

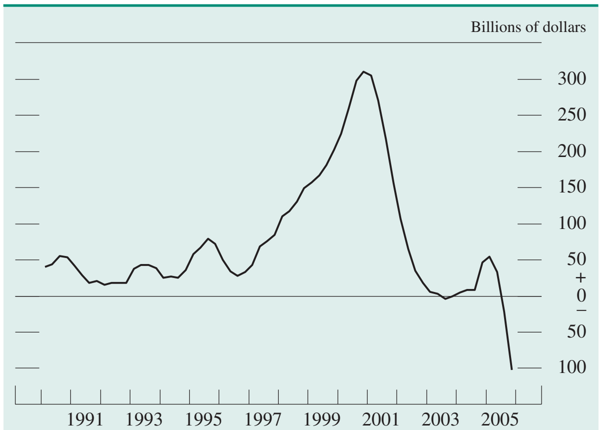
RP Repurchase agreement.

loans continued to expand rapidly, probably in part because of some improved market fundamentals.

Unlike the pattern in preceding years, C&I loan growth was rapid at banks of all sizes in 2005. Responses to the Federal Reserve's quarterly Senior Loan Officer Opinion Survey on Bank Lending Practices (BLPS) suggest that factors related to both demand and supply likely played a role in the gains in C&I lending. Throughout the year, most survey respondents reported greater demand for business financing, attributing it to a rising need to finance inventories, accounts receivable, and investment in plant and equipment (figure 5, top panel). A substantial fraction of respondents to some surveys also pointed to a pickup in mergers and acquisitions. Although the net percentage of banks reporting stronger demand declined toward the end of last year, the fraction remained substantial.

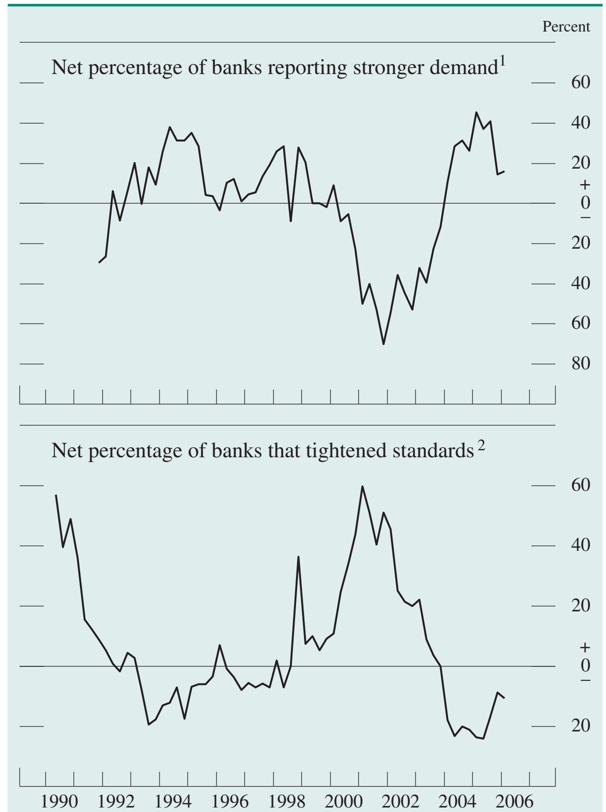
BLPS respondents also indicated that, on net, their institutions had further eased credit standards and terms on C&I lending last year, although the net percentage of banks so reporting declined toward the end of the year. Survey respondents typically reported that they had eased credit standards on C&I loans to large and middle-market firms (figure 5, bottom panel). Similarly, according to the Federal Reserve's Survey of Terms of Business Lending, average spreads of rates on C&I loans over those on

4. Financing gap at nonfarm nonfinancial corporations, 1990–2005




NOTE: The data are four-quarter moving averages. The financing gap is the difference between capital expenditures and internally generated funds.
SOURCE: Federal Reserve Board, Statistical Release Z.1, "Flow of Funds Accounts of the United States," table F. 102 (www.federalreserve.gov/releases/z1).

5. Changes in demand and supply conditions at selected banks for C&I loans to large and middle-market firms, 1990–2006




NOTE: The data are drawn from a survey generally conducted four times per year; the last observation is for the January 2006 survey, which covers 2005:Q4. Net percentage is the percentage of banks reporting an increase in demand or a tightening of standards less, in each case, the percentage reporting the opposite. The definition for firm size suggested for, and generally used by, survey respondents is that large and middle-market firms have sales of $50 million or more.
1. Series begins with the November 1991 survey.
2. Series begins with the May 1990 survey.
SOURCE: Federal Reserve Board, Senior Loan Officer Opinion Survey on Bank Lending Practices (www.federalreserve.gov/boarddocs/snloansurvey).

comparable-maturity securities declined notably on balance in 2005.

Commercial real estate (CRE) loans grew rapidly last year; the 16.7 percent pace was nearly 3 percentage points above the brisk rate of expansion in 2004. Unlike some preceding years, in which CRE loan growth was highly concentrated at medium-sized and small banks, CRE lending in 2005 was quite brisk in all bank size categories, particularly at the ten largest banks.

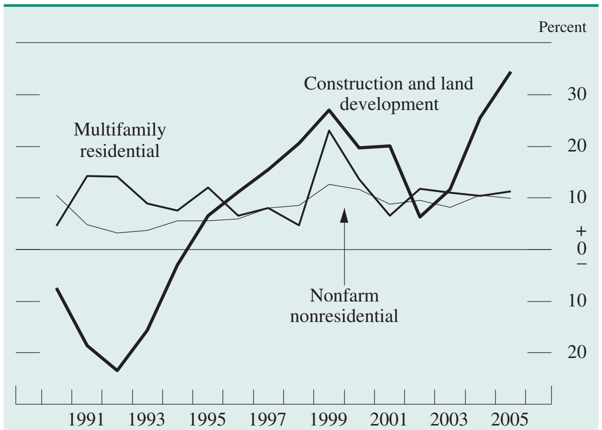
Real-estate-secured loans for construction and land development led the pickup in CRE lending last year and were likely fueled in part by the record-setting levels of new home construction. This category of CRE lending grew 34.4 percent last year and 25.5 percent in 2004; it now accounts for nearly one-third of all CRE loans, compared with about one-fourth at the end of 2003 (figure 6). The largest category of CRE lending, real estate loans secured by nonfarm nonresidential structures, expanded 9.9 percent last year, a rate down slightly from 2004.

Respondents to the BLPS reported stronger demand for CRE loans throughout 2005, although the net percentage doing so dropped markedly at the end of the year (figure 7, top panel). Respondents also noted that their institutions eased standards on CRE loans, on net, over most of the year (figure 7, bottom panel). In addition, responses to a special question in the January 2006 BLPS about changes in various terms on CRE lending indicated a considerable easing over the past year. The main reason banks cited for such easing was more-aggressive competition from other banks or nonbank lenders. In addition, some respondents also pointed to improvements in the condition of, or the outlook for, the CRE sector in the markets in which they operate.

## *Loans to Households*

Gains in personal income and employment accompanied the solid economic expansion last year, while interest rates on fixed-rate mortgages remained in a relatively low range and house prices posted further sizable increases. Accordingly, residential mortgage lending, including both first- and second-lien loans secured by one- to four-family residential properties, grew briskly again in 2005, at 12.1 percent, although the advance was down a bit from the pace in 2004.

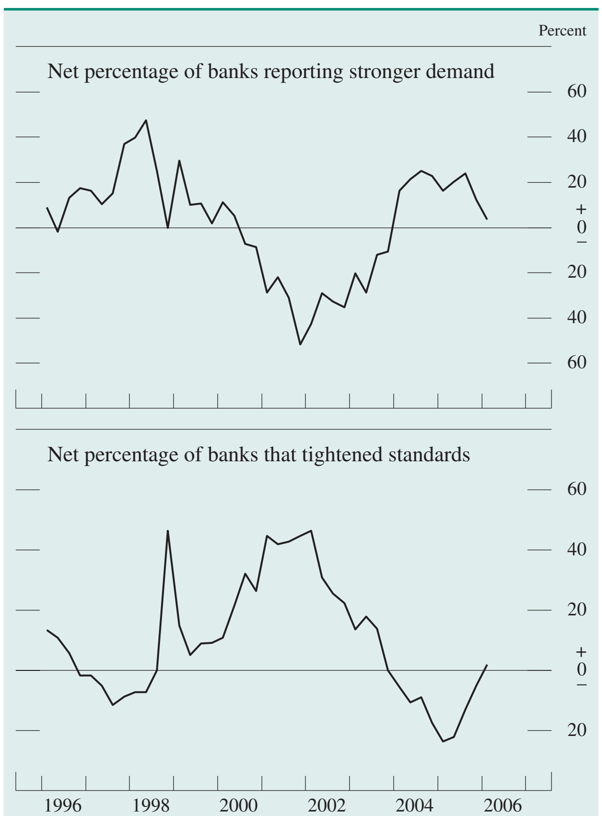
6. Changes in the major components of commercial real estate loans, by purpose, 1990–2005




NOTE: The data are annual.

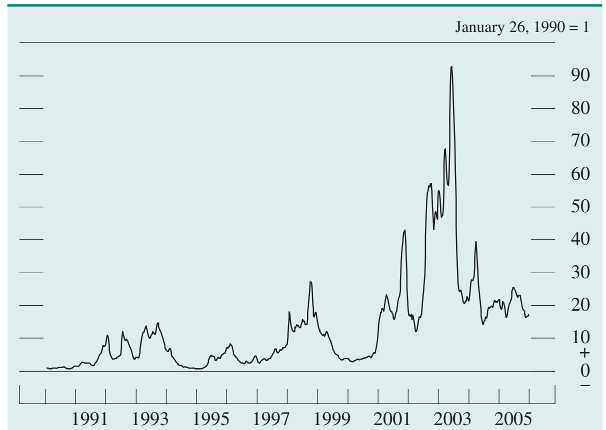
The pattern of residential mortgage lending during the year was strongly influenced by changes in long-term interest rates. Mortgage rates dropped somewhat over the first half of the year, and mortgage-refinancing activity picked up somewhat. But in the second half, mortgage rates more than reversed their

7. Changes in demand and supply conditions for commercial real estate loans at selected banks, 1996–2006




NOTE: Refer to figure 5, general note and source note.

8. Residential mortgage refinancing, 1990–2005




NOTE: The data are four-week moving averages. For definition of residential mortgages, refer to text.

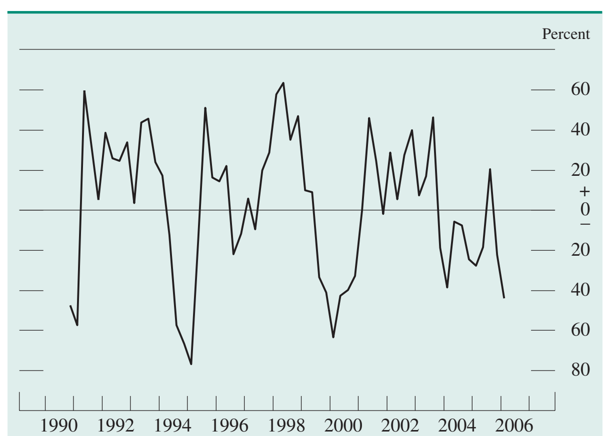
SOURCE: Mortgage Bankers Association.

declines, and refinancing activity dropped back (figure 8). The BLPS responses during the year were consistent with these aggregate patterns: On net, demand for one- to four-family mortgages was reported to have risen earlier in the year but to have fallen off at year-end (figure 9).[6]

To provide a longer-term perspective, a special question in the October 2005 BLPS asked domestic banks how their terms on mortgage loans used to purchase homes had changed over the past two years. A significant fraction of banks reported they had eased some terms on such loans. These easings

6. In asking banks how demand for mortgages to purchase homes has changed over the past three months, the BLPS instructs banks to consider only new originations as opposed to the refinancing of existing mortgages. However, this distinction may be difficult for banks to make in practice.

9. Net percentage of selected banks reporting stronger demand for residential mortgages, 1990–2006




NOTE: Series begins with the October 1990 survey. For definition of residential mortgages, refer to text. Refer also to figure 5, general note and source note.

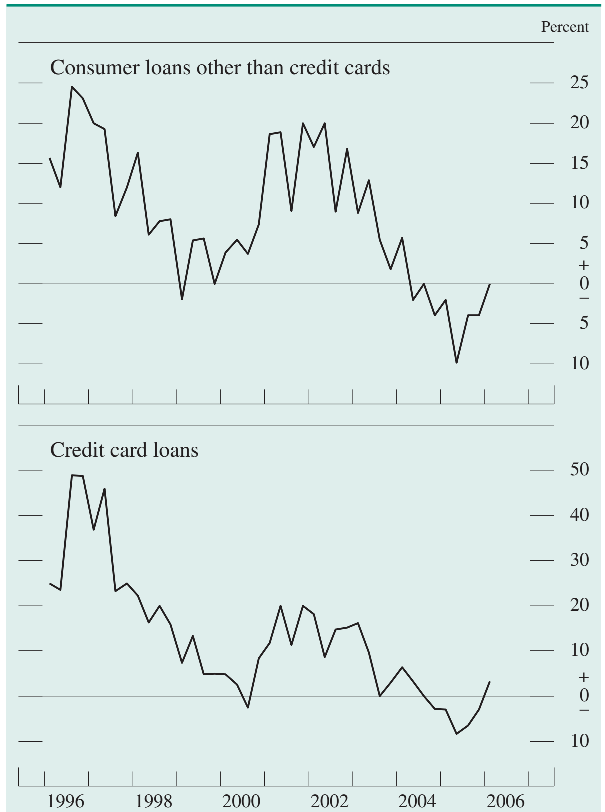
included increasing the maximum size of primary mortgages they were willing to provide, increasing the maximum size of second mortgages, narrowing spreads of mortgage rates over an appropriate market base rate, and increasing the maximum loan-to-value ratio on such loans. By contrast, banks noted that the maximum length of extended interest-rate locks, minimum required credit scores, and loan origination fees were little changed.

The slower growth of revolving home equity loans in 2005 likely reflected the effects of higher interest rates. Most revolving home equity loans carry variable interest rates that are tied to short-term market rates, which rose steadily. As a result, growth in these loans dropped steeply from the very brisk rate over the preceding several years, when short-term interest rates were particularly low. Still, these loans expanded at 8.1 percent for the year as a whole, faster than the overall increase in bank assets.

A special set of questions in the July 2005 BLPS queried banks about their current holdings and recent originations of nontraditional mortgage products.[7] Respondents generally reported that such loans accounted for less than one-fourth of their residential mortgage originations and of the mortgages on their books. However, more than one-half of the respondents to that survey noted that the share of mortgage originations attributable to nontraditional mortgage products had been higher over the past twelve months than over the previous twelve-month period.[8]

Consumer loans on banks' books grew just 2.3 percent in 2005, less than half the pace of 2004 after adjusting the 2004 rate downward to account for the effect of a large merger.[9] Mortgage-related borrowing likely took the place of some consumer loans as the rates on various types of consumer loans moved higher. Banks generally eased standards on consumer lending over the first three quarters of last year, according to the BLPS, but did not ease them further in the fourth quarter (figure 10). BLPS respondents generally kept terms on consumer loans about unchanged last year. Banks also reported in the BLPS that demand for consumer loans had weakened over the second half of the year.

10. Net percentage of selected banks reporting tightened standards for consumer lending, 1996–2006




NOTE: Refer to figure 5, general note and source note.

## *Other Loans and Leases*

The amount of other loans and leases reported on banks' balance sheets at year-end 2005 was essentially unchanged from a year earlier. Loans and leases to depository institutions grew 12.8 percent after having been flat in 2004. Agricultural-related loans expanded moderately again after having contracted over a period of several years, and estimates suggest that most categories of farm loans contributed to the pickup.[10] Rising incomes, retail sales, and property

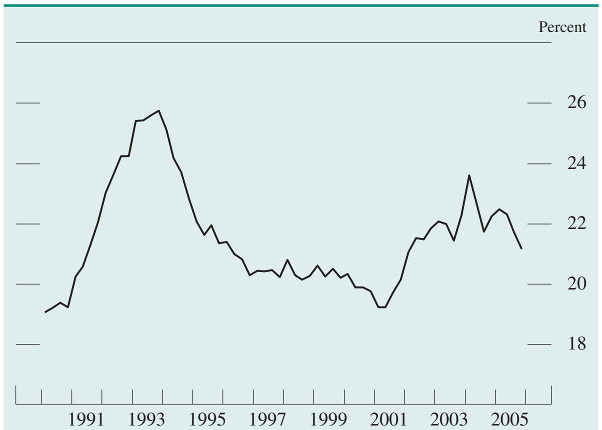
7. The July 2005 BLPS defined "nontraditional mortgage products" to include, but not be limited to, adjustable-rate mortgages with multiple payment options, interest-only mortgages, and so-called "Alt-A" products such as mortgages with limited income verification and mortgages secured by non-owner-occupied properties. Respondents to that survey were instructed to exclude standard adjustable-rate mortgages and common hybrid adjustable-rate mortgages—those on which the interest rate is initially fixed for a multiyear period and subsequently adjusts more frequently.

8. In December 2005, federal banking regulators proposed guidance to financial institutions on managing the risks associated with nontraditional mortgage products; the guidance also proposed consumer protection practices ("Federal Financial Regulatory Agencies Propose Guidance on Nontraditional Mortgage Products," press release, December 20, www.federalreserve.gov/boarddocs/press/bcreg/2005).

9. For information on this 2004 adjustment, refer to Elizabeth C. Klee and Fabio M. Natalucci (2005), "Profits and Balance Sheet Developments at U.S. Commercial Banks in 2004," *Federal Reserve Bulletin*, vol. 91 (Spring), p. 151, footnote 6.

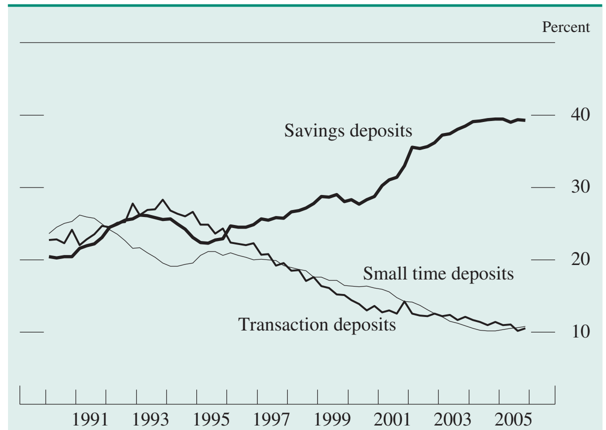
10. Using its Survey of Terms of Bank Lending to Farmers, the Federal Reserve estimates non-real-estate bank loans made to farmers by purpose of the loan, such as to obtain farm equipment and machinery or to cover operating expenses. This information is published quarterly in Board of Governors of the Federal Reserve System, Statistical Release E.15, "Agricultural Finance Databook," section A (www.federalreserve.gov/releases/e15).

11. Bank holdings of securities as a proportion of total bank assets, 1990–2005




NOTE: The data are quarterly.

12. Selected domestic liabilities at banks as a proportion of their total domestic liabilities, 1990–2005




NOTE: The data are quarterly. Savings deposits include money market deposit accounts.

values supported the continuing improvement in the fiscal positions of state and local governments. As a consequence, growth in loans to this sector slowed a bit, to 11.7 percent, from 13.2 percent in 2004. By contrast, the remaining categories of other loans and leases—which include, among others, lease financing receivables, loans for purchasing or carrying securities, and loans to foreign depository institutions, and which account for a bit more than half of the total—declined last year.

## *Securities*

With loans expanding briskly in 2005, banks trimmed the growth in their securities holdings. At just 2.4 percent, the rate of increase was nearly 10 percentage points below the average over the previous three years. Accordingly, banks' holdings of securities as a share of total assets declined, although at year-end the share was only a little below its recent elevated range (figure 11).

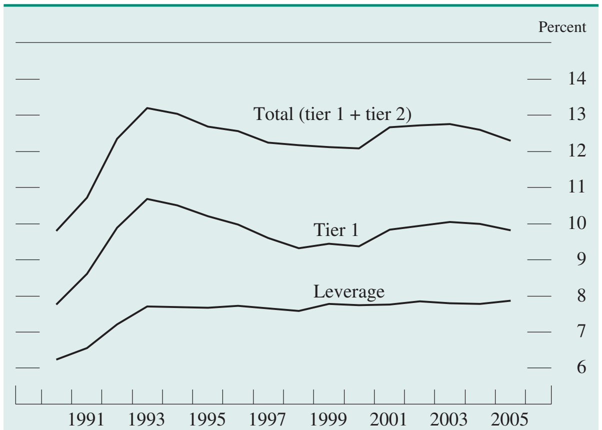
Growth in securities held in both investment and trading accounts ebbed significantly. In particular, mortgage-backed securities (MBS) held in investment accounts grew only 2.1 percent after having expanded at a double-digit pace for several years. In addition, banks continued to shed U.S. Treasury securities for the second consecutive year, and holdings of non-mortgage-backed agency securities contracted for the first time in more than a decade. Banks accumulated securities at a fairly rapid clip on balance over the first half of 2005, as long-term interest rates declined on net and mortgage refinancing picked up somewhat. However, as long-term interest rates backed up over the second half of the year and refinancing activity slowed, banks' securities holdings declined a bit.

## *Liabilities*

The expansion of bank liabilities slowed from the rapid pace posted in 2004. Even so, last year's advance of 7.7 percent was still a bit above the average rate of the previous ten years. The growth in core deposits, at 6.5 percent, was the slowest in six years. Increases in short-term market rates typically make core deposits overall less attractive to deposit holders because the rates banks pay on the majority of these deposits tend to lag increases in market rates. When short-term market rates rise, as they did in 2005, banks adjust rates on liquid deposits relatively slowly and by smaller margins than they do rates on small time deposits. As a result, transaction deposits declined last year, and the rate of growth of savings accounts was only about half that posted in 2004, whereas the issuance of small-denomination time deposits surged. As a share of total liabilities, therefore, transaction accounts and savings deposits fell a bit, and small time deposits rose a little (figure 12).

The growth of managed liabilities, at 12.1 percent, was the same as in 2004. Large time deposits expanded quite briskly again, the growth of subordinated debt continued at a low double-digit pace, advances from Federal Home Loan Banks rose a rapid 10.0 percent, and the growth of deposits booked in foreign offices dropped back to 6.3 percent.

13. Regulatory capital ratios, 1990–2005



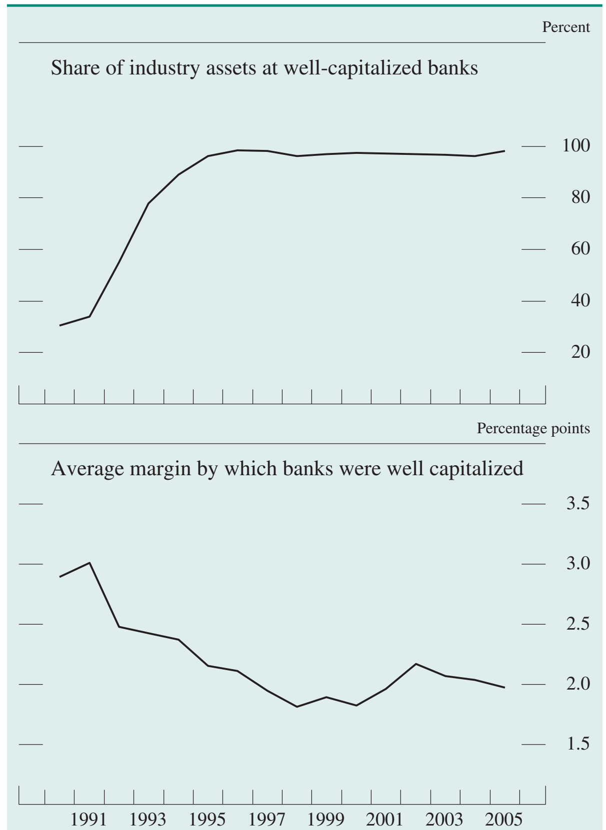

NOTE: The data are as of year-end. For the components of the ratios, refer to text notes 11 and 12.

## *Capital*

Banks' capital positions remained strong in 2005. The 7.6 percent rate of growth of capital accounts about matched that of banks' assets and liabilities. Retained earnings of $48 billion accounted for about three-fourths of the increase in banks' capital accounts. Banks also boosted capital by receiving funding from their parent holding companies and by issuing shares to the public. Tier 1 capital increased 9.9 percent, and tier 2 capital advanced 7.5 percent.[11] Unlike the pattern of the preceding several years, risk-weighted assets grew more quickly than total assets in 2005. Banks reduced their holdings of Treasury and agency securities, which generally have a zero risk weight, while they modestly increased their agency-related MBS holdings, which have a 20 percent risk weight. Meanwhile, assets that receive higher risk weights, such as C&I loans, climbed rapidly. As a result, the ratio of tier 1 capital to all risk-weighted assets edged down, to just under 9.9 percent (figure 13). The tier 2 ratio fell slightly as well, causing the total ratio (tier 1 plus tier 2) to move down for the second year in a row, although it remained above its recent low in 2000. By contrast, the leverage ratio, which is based on tangible average assets, inched up.[12]

The overall share of industry assets held by well-capitalized banks in 2005 rose to 98 percent, from 96 percent at the end of 2004 (figure 14, top panel).[13] The estimated average margin by which well-capitalized banks exceeded regulatory capital standards fell slightly again in 2005 but remained in the middle of its range over the past decade (figure 14, bottom panel).[14]

14. Assets and regulatory capital at well-capitalized banks, 1990–2005




NOTE: The data are annual. For the definitions of "well capitalized" and of the margin by which banks remain well capitalized, refer to text notes 13 and 14.

11. Tier 1 and tier 2 capital are regulatory measures. Tier 1 capital consists primarily of common equity (excluding intangible assets such as goodwill and excluding net unrealized gains on investment account securities classified as available for sale) and certain perpetual preferred stock. Tier 2 capital consists primarily of subordinated debt, preferred stock not included in tier 1 capital, and loan-loss reserves up to a cap of 1.25 percent of risk-weighted assets. Risk-weighted assets are calculated by multiplying the amount of assets and the credit-equivalent amount of off-balance-sheet items (an estimate of the potential credit exposure posed by the items) by the risk weight for each category. The risk weights rise from 0 to 1 as the credit risk of the assets increases. The tier 1 ratio is the ratio of tier 1 capital to risk-weighted assets; the total ratio is the ratio of the sum of tier 1 and tier 2 capital to risk-weighted assets.

12. The leverage ratio is the ratio of tier 1 capital to tangible assets. Tangible assets are equal to total average consolidated assets less assets excluded from common equity in the calculation of tier 1 capital.

13. Well-capitalized banks are those with a total risk-based capital ratio of 10 percent or greater, a tier 1 risk-based ratio of 6 percent or greater, a leverage ratio of 5 percent or greater, and a composite CAMELS rating of 1 or 2. Each letter in CAMELS stands for a key element of bank financial condition—Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risks.

14. The estimated average margin by which banks were well capitalized was computed as follows: Among the leverage, tier 1, and total capital ratios of each well-capitalized bank, the institution's "tightest" capital ratio is defined as the one closest to the regulatory standard for being well capitalized. The bank's margin is then defined

2. Change in notional value and fair value amounts of derivatives, all U.S. banks, 2000–05

Percent

| Item | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | MEMO Dec. 2005 (billions of dollars) |
|---|---|---|---|---|---|---|---|
| Total derivatives | | | | | | | |
| Notional amount | 16.87 | 11.47 | 24.14 | 26.54 | 23.70 | 15.42 | 101,886 |
| Fair value | | | | | | | |
| Positive | 20.80 | 26.42 | 85.41 | .36 | 13.71 | −6.47 | 1,262 |
| Negative | 21.86 | 20.82 | 89.18 | 1.00 | 13.75 | −5.78 | 1,246 |
| Interest rate derivatives | | | | | | | |
| Notional amount | 18.70 | 15.93 | 26.83 | 27.62 | 22.07 | 11.92 | 84,500 |
| Fair value | | | | | | | |
| Positive | 23.75 | 63.87 | 108.20 | −5.95 | 13.14 | −5.52 | 982 |
| Negative | 24.24 | 56.55 | 113.02 | −5.07 | 12.94 | −5.14 | 961 |
| Exchange rate derivatives | | | | | | | |
| Notional amount | 5.65 | −7.00 | 7.34 | 18.81 | 21.03 | 7.61 | 9,712 |
| Fair value | | | | | | | |
| Positive | 25.85 | −16.21 | 8.67 | 41.81 | 14.86 | −35.87 | 147 |
| Negative | 27.61 | −15.65 | 15.73 | 38.81 | 12.74 | −37.41 | 144 |
| Credit derivatives | | | | | | | |
| Notional amount | 48.55 | −1.20 | 52.47 | 55.98 | 134.52 | 148.09 | 5,822 |
| Guarantor | 34.40 | 21.84 | 38.57 | 61.82 | 139.07 | 137.87 | 2,681 |
| Beneficiary | 60.03 | −16.89 | 66.36 | 51.13 | 130.46 | 157.53 | 3,141 |
| Fair value | | | | | | | |
| Guarantor | n.a. | n.a. | n.a. | 68.31 | 69.92 | 81.42 | 36 |
| Positive | n.a. | n.a. | n.a. | 378.09 | 74.56 | −5.63 | 17 |
| Negative | n.a. | n.a. | n.a. | −68.87 | 38.37 | 827.99 | 19 |
| Beneficiary | n.a. | n.a. | n.a. | 19.85 | 51.28 | 83.50 | 41 |
| Positive | n.a. | n.a. | n.a. | −63.13 | 2.64 | 505.51 | 22 |
| Negative | n.a. | n.a. | n.a. | 295.74 | 66.36 | 2.78 | 19 |
| Other derivatives[1] | | | | | | | |
| Notional amount | 24.94 | −12.06 | 6.70 | 3.77 | 33.15 | 32.25 | 1,852 |
| Fair value | | | | | | | |
| Positive | 1.40 | −34.72 | 20.28 | 3.16 | 8.55 | 58.51 | 95 |
| Negative | 4.42 | −42.63 | 24.62 | −5.25 | 19.73 | 74.28 | 103 |

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

1. Other derivatives consist of equity and commodity derivatives and other contracts.

n.a. Not available.

## *Derivatives*

Banks' holdings of off-balance-sheet derivatives continued to expand in 2005 although not as rapidly as they had over the preceding few years. The notional principal amount of derivatives contracts held by banks grew 15 percent last year, and it totaled about $102 trillion at the end of the year (table 2). However, the fair market value of these holdings is typically much smaller than the notional amount. In addition, because many of these holdings are linked to banks' role as dealers, a considerable portion of their derivatives positions are offsetting. At the end of 2005, the aggregate fair market value of contracts with positive value was $1.26 trillion, and the aggregate fair market value of contracts with negative value was at a similar level. As a result, the net fair value of all contracts—the total fair market value of contracts with positive values less the fair market value of those with negative values—was only about $16 billion at the end of 2005, about one-third lower than at the end of 2004.[15] Derivates holdings continued to be highly concentrated—the ten largest banks accounted for 98 percent of the notional value of all derivatives held by banks at the end of 2005, a ratio unchanged from 2004.

The majority of banks' derivatives holdings in notional terms continued to be in the form of interest rate swaps. Banks' holdings of such swaps grew about 15 percent in 2005, and the share of these contracts relative to all derivatives contracts held steady at 64 percent in notional terms.[16] Interest rate swaps are typically used to hedge interest rate risk, including that related to holdings of interest-sensitive assets such as mortgages, MBS, and assets related to

as the percentage point difference between its tightest capital ratio and the corresponding regulatory standard. The average margin among all well-capitalized banks—the measure referred to in figure 14—is the weighted average of all the individual margins; the weights are each bank's share of the total assets of well-capitalized banks.

15. That the fair market values of banks' derivatives contracts are nearly offsetting does not mean that banks' aggregate exposure to the market and credit risk associated with the contracts are likewise nearly offsetting because, for example, the counterparties to banks' positive- and negative-valued contracts may differ.

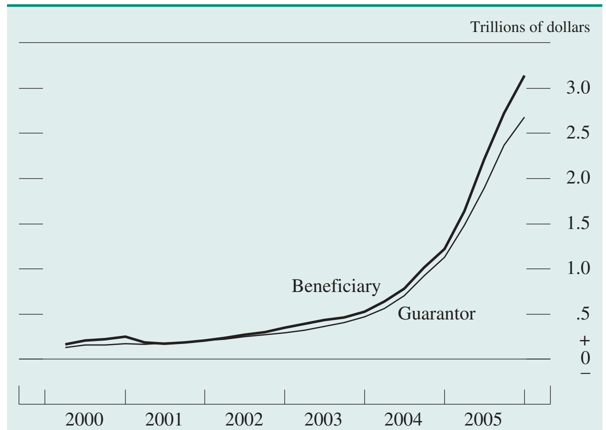
16. Interest rate swaps are agreements in which two parties contract to exchange two payment streams, one based on a floating interest rate and one based on a fixed interest rate; the payment streams are calculated on the basis of some notional principal amount.

mortgage servicing. The growth in the notional value of banks' holdings of interest rate swaps in 2005 was the slowest in more than a decade, perhaps because low interest rate volatility throughout the year damped demand for interest rate hedging by banks' customers.

The notional value of banks' holdings of all interest rate derivatives contracts, including interest rate futures, forwards, and options contracts, advanced 12 percent last year and accounted for 83 percent of the notional value of all derivatives contracts held by banks at year-end, down from about 86 percent for the preceding three years. Banks' notional holdings of foreign exchange derivatives grew nearly 8 percent last year, and their holdings of equity and commodity derivatives advanced briskly, at about 32 percent. Commodity derivatives include those on energy products, whose prices were quite volatile last year. Banks that are major derivatives dealers reportedly targeted commodity derivatives for expansion in 2005.[17] In notional terms, foreign exchange, equity, and commodity derivatives contracts accounted for a bit more than 11 percent of all derivatives held at year-end, down slightly from year-end 2004.

Banks' holdings of credit derivatives continued to surge last year.[18] For the second year in a row, the notional amount of credit derivatives held by banks more than doubled relative to the preceding year, reaching $5.8 trillion at the end of 2005. The fair-value amount of credit derivatives on banks' books expanded 83 percent, to $77 billion at year-end 2005 from $42 billion at year-end 2004. Still, in terms of notional value, these holdings account for only about 6 percent of all derivatives. Given their role as dealers, banks are both buyers (beneficiaries of credit protection) and sellers (protection providers, or guarantors) of these contracts, as they are for other derivatives. Banks were again net recipients of credit protection last year—the notional amount of banks' positions as beneficiaries totaled a bit more than $3.1 trillion at the end of last year, while their positions as guarantors totaled nearly $2.7 trillion (figure 15).

15. Notional amounts of credit derivatives for which banks were beneficiaries or guarantors, 2000–05




NOTE: The data are as of quarter-end.

## *TRENDS IN PROFITABILITY*

Measures of banking industry profitability remained strong in 2005, although they were down a bit from recent high levels. The economy's solid performance supported the industry's profitability by keeping loan loss provisions low and boosting the demand for loans. Return on assets (ROA) ticked down 3 basis points, to 1.31 percent, owing largely to a narrowed net interest margin, but it remained in the upper half of its range of the past decade. Return on equity (ROE) dropped more than 1 percentage point, to 13.01 percent, reaching its lowest level in more than ten years. The decline, however, is largely attributable to an expansion of equity owing to an accumulation of goodwill acquired in some recent large mergers. Excluding goodwill, ROE was near the top of its historical range.[19] Banks operating in hurricane-affected areas suffered to varying degrees in the third quarter; their revenue may pick up as rebuilding efforts continue, but the ultimate extent of losses and the possible gains from rebuilding remain uncertain (for further discussion, refer to box ''The Effects of Hurricane Katrina''). For the industry as a whole, the fraction of banks with negative net income rose a bit from 2004, to 6.3 percent, but the share of industry assets at banks incurring losses fell to about 0.5 percent.

A further narrowing of the net interest margin at the ten largest banks weighed on the profitability of those institutions, but the net interest margin widened

17. Most of the 32 percent growth in banks' holdings of equity and commodity derivatives last year is attributable to the expansion of commodity derivatives at one large bank. According to its 2005 annual bank holding company report filed with the Securities and Exchange Commission, this bank wanted to increase its commodities trading activities to provide a new source of trading revenue and to reduce volatility in its trading results over time.

18. Credit derivatives are over-the-counter agreements in which the risk of default of a certain reference entity is transferred from one party (the beneficiary) to another (the protection provider or guarantor). For a general description of credit derivatives, including a discussion of how they are used by banks, refer to Roberto Perli, ''Credit Derivatives,'' in Klee and Natalucci, ''Profits and Balance Sheet Developments,'' p. 154.

19. Banks accumulated a significant amount of goodwill from a few large mergers in mid-2004. For more details, refer to Klee and Natalucci, ''Profits and Balance Sheet Developments,'' p. 152.

## The Effects of Hurricane Katrina

Hurricane Katrina made its Gulf Coast landfall on August 29, 2005; by the time it left the area it had ravaged nearly 90,000 square miles in the Gulf Coast region and displaced about 770,000 people, according to data from the Federal Emergency Management Agency (FEMA). Immediately after the hurricane, the Federal Reserve took a number of steps to help support the operation of financial institutions in the region. It adjusted its cash operations to alleviate transportation burdens and maintain cash distribution. It moved its New Orleans check clearing operations to Atlanta and worked with numerous financial institutions to address the special processing issues created by the hurricane. In addition, the Federal Reserve Bank of Atlanta reminded depository institutions that the discount window was available to meet their liquidity needs. As part of ongoing efforts, the public website of the Federal Reserve Board has continued to maintain information clearinghouses that address hurricane-related concerns.[1]

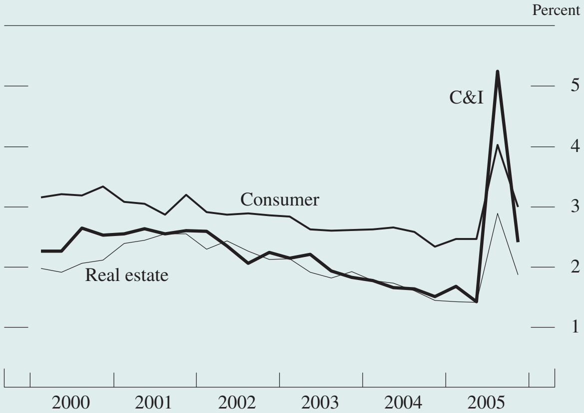
1. Refer to www.federalreserve.gov/hurricanekatrina.htm.

In addition to the significant operational challenges it created, the storm influenced the profitability of the so-called hurricane-affected banks.[2] The delinquency rates on consumer, real estate, and C&I loans at hurricane-affected banks spiked in the third quarter, but they declined somewhat in the fourth quarter (figure A). To date, charge-off rates on loans at these banks have generally shown a smaller effect; the future effect is unknown because of the uncertainty regarding ultimate repayment (figure B).[3] Nevertheless, hurricane-affected banks have begun to reduce their earnings by provisioning for elevated future loan losses.

2. "Hurricane-affected banks" are defined as banks with more than 75 percent of their deposits in branches located in counties declared by FEMA to be "Individual Assistance" disaster areas. The banks from this group are small–national and regional banks tend to be diversified beyond these FEMA counties—and represent a little more than ½ percent of total industry assets. Larger national banks took additional loan loss provisions but appear to be well diversified beyond the region.

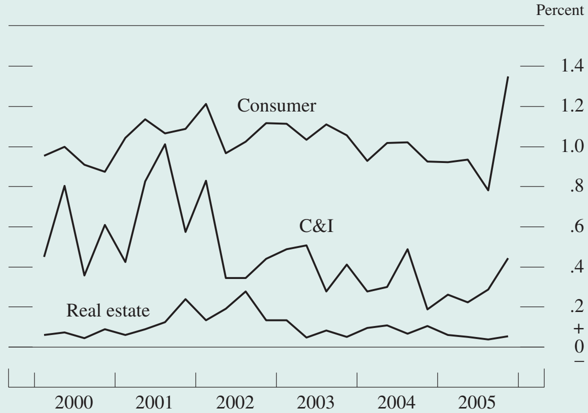
3. Regulatory agencies have encouraged financial institutions to consider reasonable and prudent steps to ease burdens on affected individuals and have issued assurances to institutions that regulators will exercise prudence, discretion, and flexibility when possible and appropriate in fulfilling supervisory and regulatory responsibilities.

A. Delinquency rates on loans at hurricane-affected banks, 2000–05




NOTE: The data are quarterly and seasonally adjusted. For definition of delinquencies, refer to the note for figure 24 of the main text. For definition of "hurricane-affected banks," refer to footnote 2 in this box.

B. Charge-off rates on loans at hurricane-affected banks, 2000–05




NOTE: The data are quarterly and seasonally adjusted. For definition of net charge-offs, refer to the note for figure 24 of the main text. For definition of "hurricane-affected banks," refer to footnote 2 in this box.

a bit for other banks. Increases in non-interest income, led by strong trading income, buoyed industry profitability. Results were also bolstered by a decline in non-interest expense as a share of assets, an improvement largely reflecting the reversal of an earlier jump in charges related to litigation and mergers.

Solid economic growth along with healthy business balance sheets and rising household wealth contributed to a robust credit environment that partially offset the effect of narrowed interest margins. Asset quality as a whole remained strong, and the delinquency rate on loans and leases fell, to 1.57 percent at the end of the year. Loan loss provisioning as a share of assets was the same in 2005 as in 2004 despite provisioning for losses related to the hurricanes and the effects of a change in the bankruptcy law implemented in the fall (for further discussion, refer to box "The New Bankruptcy Law and Its Effect on Credit Card Loans"). Net

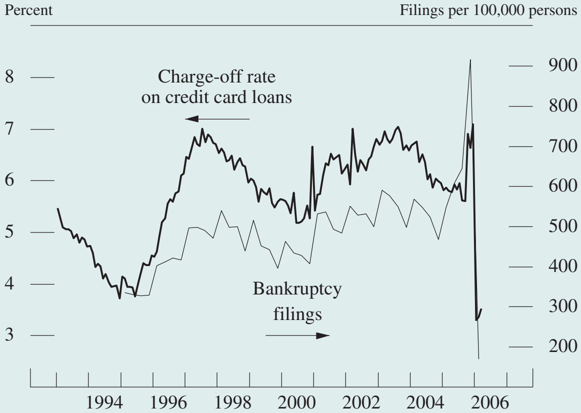
## The New Bankruptcy Law and Its Effect on Credit Card Loans

Under the U.S. bankruptcy code, individuals who are unable to meet their obligations can file for bankruptcy either under chapter 7 or under chapter 13 of the code. Under chapter 7, they can keep assets up to a state-defined exemption level and their remaining unsecured debts are discharged; under chapter 13, they must provide a plan under which they will repay a portion of their debts. On April 20, 2005, President Bush signed into law the Bankruptcy Abuse and Consumer Protection Act of 2005, which became effective on October 17, 2005. The law aims to reduce the number of bankruptcy filers and diminish creditors' losses resulting from bankruptcy. Before the passage of the new law, a large majority of debtors seeking bankruptcy protection filed under chapter 7. The new law mandates that consumers whose incomes are high enough and whose expenses are low enough must file under chapter 13, thus making bankruptcy a less attractive option.

Consumers rushed to file for bankruptcy in September and early October as the implementation date of the new bankruptcy law approached (figure A). For the fourth quarter as a whole, bankruptcy filings ran at almost twice the pace of earlier in the year. Because credit card loans are charged off by banks once borrowers are in bankruptcy, charge-offs on securitized credit card loans shot up almost 130 basis points from September to October and moved up further through December, on net. Bankruptcy filings dropped off considerably in mid-October, as many of the pre-October 17 filings would apparently have been submitted later in the absence of the new law. Bankruptcy filings have continued to run at low levels this year, and the charge-off rate on securitized credit card loans has retreated from its elevated levels of last fall. Effects of the new bankruptcy law on the charge-off rates for other types of consumer loans and residential mortgages appeared to be small.

Banks anticipated the growth in credit card charge-offs and provisioned for these changes accordingly. At credit card banks, defined as those banks having credit card assets that are greater than 40 percent of their total assets and ranked among the 1,000 largest in total assets, the ratio of provisions to assets climbed 20 basis points, to 3.93 percent, from the second to the third quarter and rose another 27 basis points in the fourth quarter, to 4.20 percent. The boost in provisioning pushed down the return on assets (ROA) and return on equity (ROE) of credit card banks, especially in the fourth quarter: The ROA in that quarter fell about 50 basis points, to 2.35 percent, its lowest level since 2000; and the ROE dropped about 230 basis points, to 11.65 percent, its lowest level of the past decade. Nonetheless, the annual returns for credit card banks—2.89 for the ROA and 14.18 for the ROE (figure B)—continued to exceed the corresponding averages for banks as a whole.

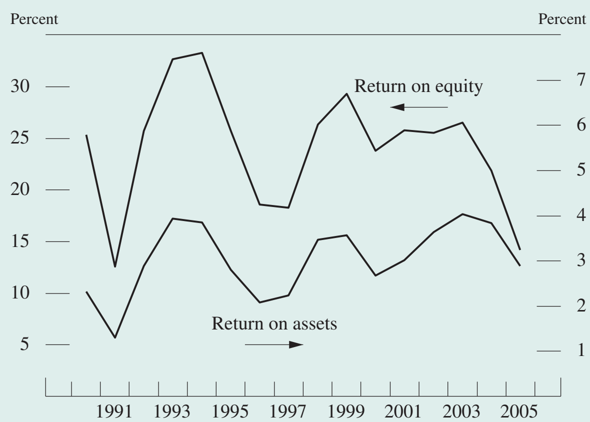
A. Charge-off rate on credit card debt in securitized pools, and household bankruptcy filings, 1993–2006




NOTE: The data for bankruptcy filings are quarterly and extend through 2006:Q1; the data for credit cards are monthly at an annual rate and extend through March 2006. The charge-off rate is the proportion of total loans outstanding that have been written off as uncollectible.

SOURCE: For bankruptcy filings, staff calculations based on data from Lundquist Consulting, Inc.; for data on credit card debt in securitized pools, Moody's Investors Service.

B. Credit card bank profitability, 1990–2005

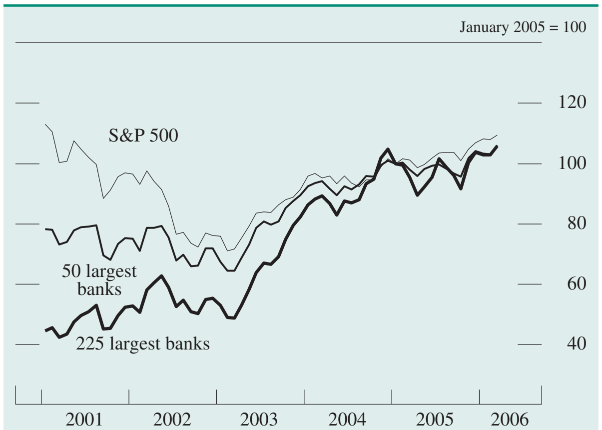



NOTE: The data are annual.

realized gains on investment account securities relative to assets decreased a bit in 2005.

As in 2004, dividends were a relatively low fraction of net income, and robust retained earnings boosted equity capital. Although, on net, bank holding company stocks made gains in 2005, they underperformed the S&P 500. For both the 50 largest bank holding companies and the 225 largest, much of the gain was concentrated toward the end of the year (figure 16). The average spread of rates on banks' subordinated debt over those on comparable-maturity Treasury securities, which was about unchanged from

16. Bank stock prices, by market value of bank, and the S&P 500, 2001–06



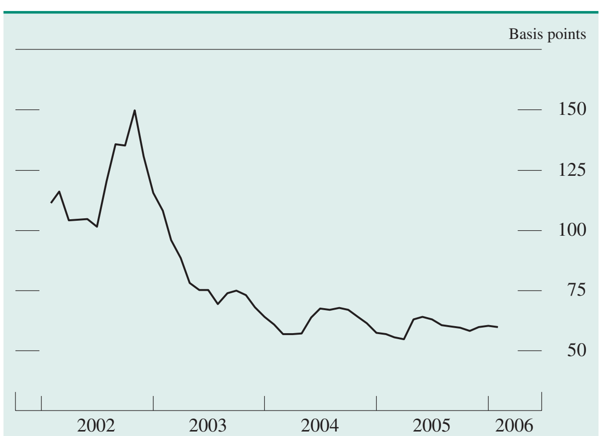

NOTE: The data are monthly and extend through March 2006. Stock prices are weighted by market value.
SOURCE: Standard & Poor's and *American Banker*.

the very low levels of 2004 (figure 17), reflected a relatively benign risk outlook for the banking sector.

## *Interest Income and Expense*

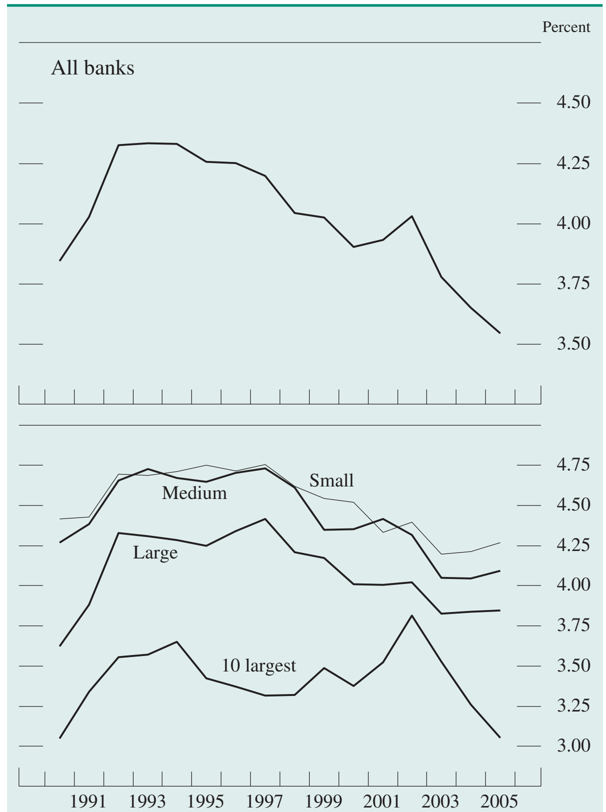
As monetary policy tightened in 2005, the average rate of return earned on banks' assets and the average rate of interest paid on banks' liabilities moved higher. The average rate earned rose less than the average rate paid, however, which caused the net interest margin to narrow for the third consecutive year, to 3.55 percent (figure 18). The rate of narrowing was, however, somewhat slower in 2005 than it had been in recent years.

17. Average spread of rates on subordinated debt at selected bank holding companies, 2002–06




NOTE: The data are monthly and extend through March 2006. Spreads are over comparable-maturity Treasury securities.
SOURCE: Merrill Lynch bond data.

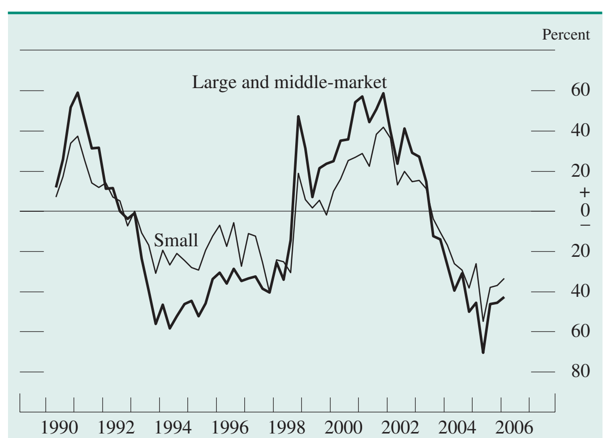
18. Net interest margin, by size of bank, 1990–2005




NOTE: The data are annual. Net interest margin is net interest income divided by average interest-earning assets. For definition of bank size, refer to the general note on the first page of the main text.

In line with the narrowing net interest margin, responses to the BLPS over the year indicated that domestic banks decreased the spread of rates on C&I loans over their cost of funds (figure 19) and also reduced the costs of credit lines. In response to each

19. Net percentage of selected domestic banks reporting increased spreads of rates on C&I loans over cost of funds, by size of borrower, 1990–2006




NOTE: Refer to figure 5, general note and source note.

of the four surveys covering 2005, the respondents indicated that the narrowing in spreads reflected more-aggressive competition from other banks or nonbank lenders. In the April 2005 and January 2006 surveys, banks indicated that tighter C&I loan spreads stemmed from an increased tolerance for risk and improved liquidity in the secondary market for these loans. Spreads on new investment-grade syndicated business loans continued to edge lower over 2005, while those on leveraged syndicated loans moved up a bit but remained quite low by historical standards.

The decline of the net interest margin for the banking sector as a whole was attributable to a drop of 21 basis points at the ten largest banks; the margin at other banks widened a few basis points. At the ten largest banks, the average rate earned on interest-bearing assets moved up about 57 basis points, while the average rate paid on interest-bearing liabilities leaped 100 basis points. Unlike other banks, the ten largest increased the share of their interest-earning assets attributable to securities, which at these banks had an average yield of 4.27 percent, a significantly lower average yield than loans, at 6.16 percent. They also increased the share of managed liabilities, which carry higher interest rates, on average, than other interest-bearing funding sources. In addition, larger banks rely more heavily on managed liabilities than smaller banks, and rates on managed liabilities rose more rapidly than those on other liabilities.

At large banks (those ranked 11 through 100), the net interest margin was about unchanged in 2005. Like the 10 largest banks, these banks rely heavily on managed liabilities and saw the rates paid on those liabilities rise significantly over the year. Unlike the 10 largest banks, however, large banks increased the share of loans in their portfolios, which boosted interest earned on assets; and they raised the fraction of their assets financed by non-interest-bearing liabilities, which held down interest expense.

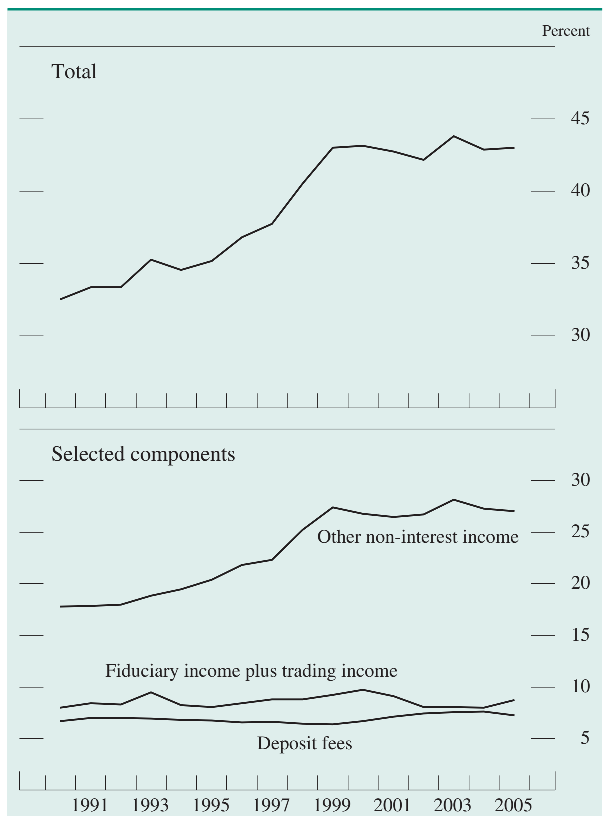
In contrast to the situation at the ten largest banks, the average net interest margins at small and medium-sized banks have widened a bit since the onset of monetary policy tightening in 2004 and remain higher than the average at larger banks. Small and medium-sized banks rely relatively more on core deposits than on managed liabilities, and, as noted previously, core deposits have not repriced upward as much as managed liabilities. In addition, real estate loans, which earn relatively high yields, have expanded briskly at these institutions (especially commercial real estate loans), whereas securities, which earn relatively low yields, have declined. Furthermore, rates on C&I loans moved up significantly more rapidly at small and medium-sized banks than at larger banks; the divergence perhaps reflects greater competitive pressures on larger institutions from nonbanks.

## *Non-interest Income and Expense*

Non-interest income at U.S. commercial banks grew 6.6 percent in 2005, a pickup from the sluggish 2.5 percent advance posted in 2004. As net interest income also increased, non-interest income as a share of total revenue remained about flat, on balance, at about 43 percent (figure 20). The rise in non-interest income was fueled by strong trading revenues, which surged 44 percent overall and which are concentrated at the ten largest banks. Income from interest rate derivatives contracts and equity derivatives contracts gained considerably overall but fluctuated somewhat during the year.

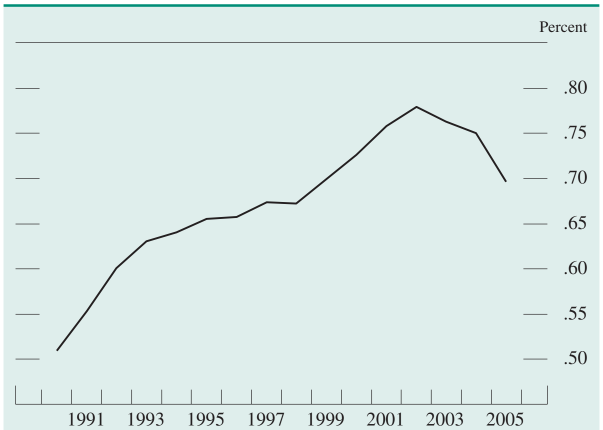
Most other categories of non-interest income posted smaller gains. The growth of fiduciary income slowed to a 5 percent pace, and the level held steady as a proportion of revenue. Deposit fees grew at a slower rate than total revenue and moved down as a share of deposits for the third consecutive year (figure 21), a

20. Non-interest income and selected components as a proportion of revenue, 1990–2005




NOTE: The data are annual. Revenue is calculated as the sum of non-interest income and net interest income.

21. Deposit fee income as a proportion of total domestic deposits, 1990–2005




NOTE: The data are annual.

22. Non-interest expense and selected components as a proportion of revenue, 1990–2005


NOTE: The data are annual.

trend perhaps reflecting increased competition for retail deposits, or perhaps reflecting higher spreads now that base rates have risen.

Items recorded under "other non-interest income" grew about 5.2 percent and maintained their share of revenue at 27 percent. Revenues from investment banking fell slightly, while gains from sales of loans fell considerably, perhaps owing to a slowdown in mortgage originations. Several of the remaining items in other non-interest income—including check printing fees, automated teller machine fees, and the rental of safe deposit boxes—advanced solidly last year. However, trends for these items are difficult to infer because an item is reported only if it exceeds 1 percent of total income.

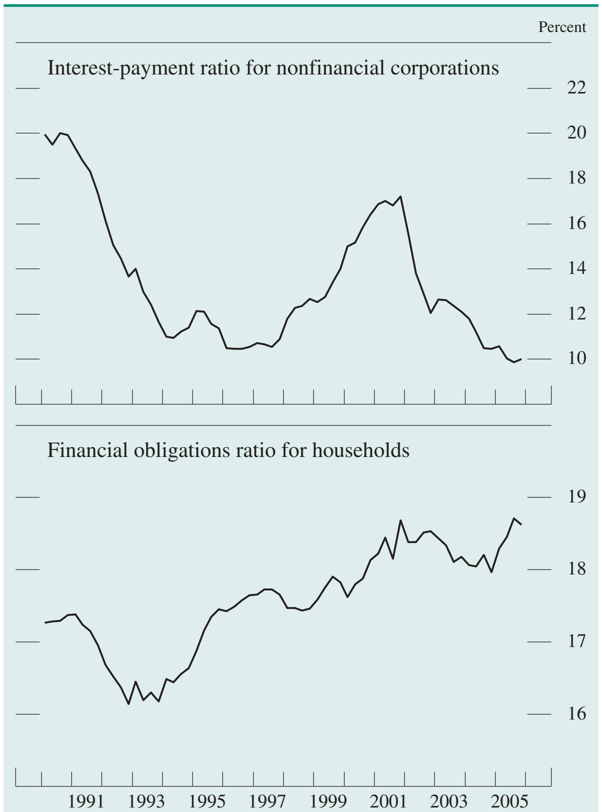
The 4.1 percent growth of non-interest expense in 2005 was down considerably from the 2004 pace, and the moderation led to a decline in the ratio of non-interest expense to total revenue of about 1 percentage point, to 59 percent (figure 22). Expenses for premises and fixed assets as a share of revenue have changed little over the past five years; according to data from the FDIC, the number of branches increased a bit. Growth in salary and employee benefits quickened more than 1 percentage point last year, to 7.6 percent, but the ratio of such costs to total revenue only inched up. The number of bank employees grew about 2 percent overall. Employment increased at the ten largest institutions but declined somewhat at smaller institutions, a difference likely reflecting, in part, the effects of bank consolidation. Salaries and benefits per employee grew 5.7 percent last year, an increase reportedly attributable in part to higher incentive compensation. The gain was a notable pickup from the rate in 2004 and faster than the 2005 rise in compensation per business-sector employee.

Other expenses, which barely grew in 2005, fell about 1.5 percentage points as a share of total revenue, to 24.7 percent. The decline in this ratio was greatest at the ten largest banks. Contributing to the improved performance at the largest banks were lower expenses related to merger activity and to litigation charges, both of which had jumped at a few large banks in 2004.

## *Loan Performance and Loss Provisioning*

Indicators of credit quality generally remained robust last year. The interest-payment ratio of businesses declined further from its level in 2004 and ended 2005 at about its lowest level for the past decade (figure 23). In contrast, the financial obligations ratio for households trended higher in 2005, as mortgage debt service increased as a share of income. On net, loan-loss provisions were little changed as a share of assets from 2004; however, they increased modestly in the second half of the year, in part owing to the effects of the hurricanes and the increase in personal bankruptcies in advance of the implementation of

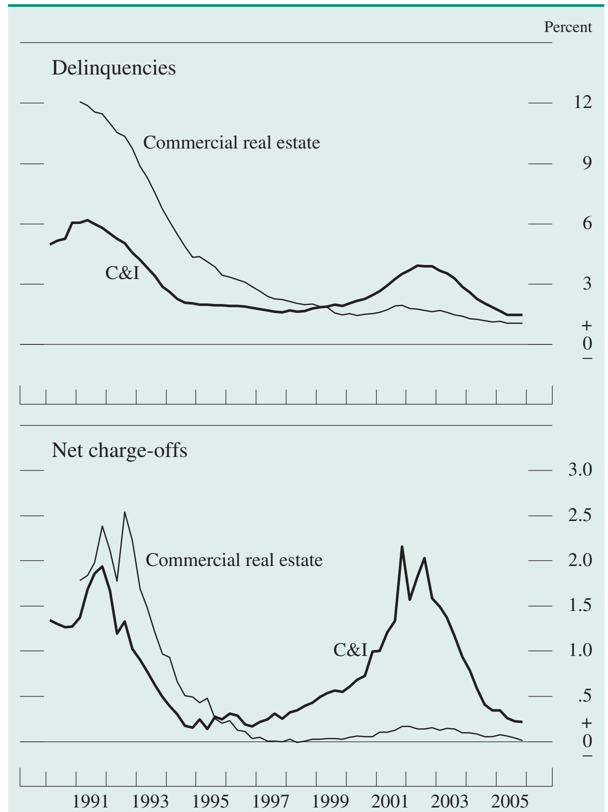
23. Interest-payment ratio for businesses, and financial obligations ratio for households, 1990–2005




NOTE: The data are quarterly. The interest-payment ratio is calculated as interest payments as a percentage of cash flow. The financial obligations ratio is an estimate of debt payments and recurring obligations as a percentage of disposable personal income; debt payments and recurring obligations consist of required payments on outstanding mortgage debt, consumer debt, auto leases, rent, homeowner's insurance, and property taxes.

SOURCE: For interest-payment ratio, national income and product accounts and Federal Reserve Board; for financial obligations ratio, Federal Reserve Board (www.federalreserve.gov/releases/housedebt).

24. Delinquency and charge-off rates for loans to businesses, by type of loan, 1990–2005




NOTE: The data are quarterly and seasonally adjusted; the data for commercial real estate begin in 1991. Delinquent loans are loans that are not accruing interest and those that are accruing interest but are more than thirty days past due. The delinquency rate is the end-of-period level of delinquent loans divided by the end-of-period level of outstanding loans. The net charge-off rate is the annualized amount of charge-offs over the period, net of recoveries, divided by the average level of outstanding loans over the period. For the computation of these rates, commercial real estate loans exclude loans not secured by real estate (refer to table 1, note 2).

new rules in October. As a share of all bank loans, delinquent loans remained low in 2005, and net charge-offs declined a bit, to 0.54 percent of average loans.

## C&I Loans

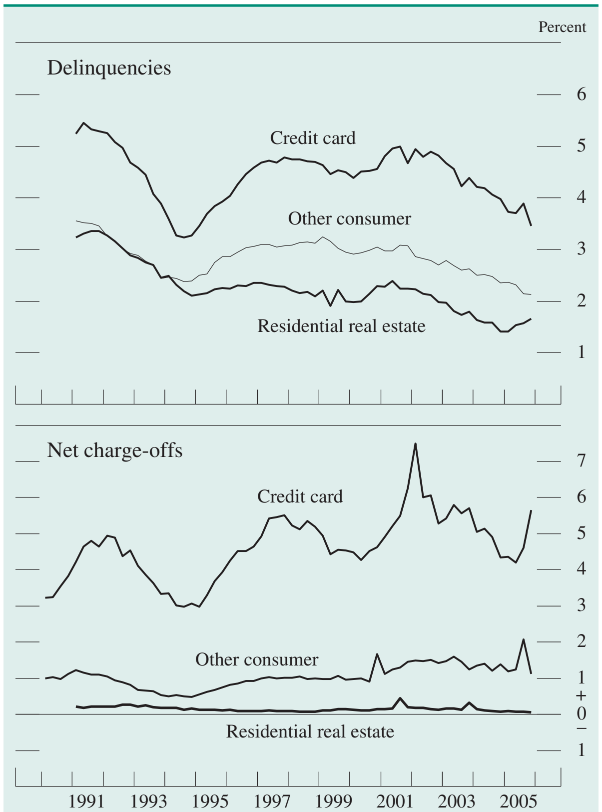
At the end of 2005, only 1.5 percent of C&I loans were delinquent, the lowest percentage in more than fifteen years (figure 24). A decline in the delinquency rate of more than 40 basis points at the 100 largest banks continued the downward trend in delinquencies at these banks evident since 2002. The net charge-off rate on C&I loans declined to 0.2 percent by year-end, its lowest level since 1997; net charge-off rates at larger banks were lower than at medium-sized and small banks.

The quality of bank C&I loans may slip a bit in 2006. Banks were asked in the January 2006 BLPS about the outlook for C&I loan quality this year under the assumption that economic activity progresses in line with consensus forecasts. On balance, the responses suggest that banks expect the quality of C&I loans to deteriorate somewhat in 2006 from recent robust levels.

## Commercial Real Estate Loans

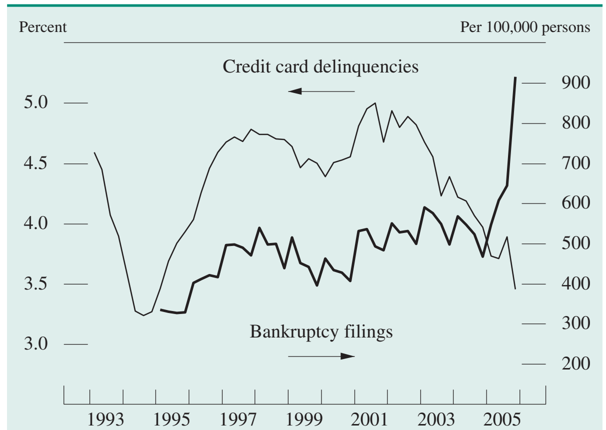
The credit quality of CRE loans was supported by improving market conditions in the sector and remained strong last year. Vacancy rates in the office sector and industrial sectors continued to trend down modestly from their peaks a few years earlier, and the vacancy rate in the retail sector stayed relatively low. Rental rates and prices on commercial properties

25. Delinquency and charge-off rates for loans to households, by type of loan, 1990–2005




NOTE: The data are quarterly and seasonally adjusted; data for delinquencies and for net charge-offs of residential real estate loans begin in 1991. For definitions of delinquencies and net charge-offs, refer to the note for figure 24.

26. Credit card delinquency rate and household bankruptcy filings, 1993–2005




NOTE: The data are quarterly and seasonally adjusted. The series shown for bankruptcy filings begins in 1995:Q1. For definition of delinquencies, refer to the note for figure 24.

SOURCE: For bankruptcy filings, staff calculations based on data from Lundquist Consulting, Inc.

moved up. Against this backdrop, the delinquency rate on CRE loans fell a few basis points, to about 1.1 percent, its lowest level in more than a decade (figure 24). These developments have been accompanied in credit markets by relatively low spreads on commercial-mortgage-backed securities. The net charge-off rate on commercial real estate loans hovered near zero for the second year in a row.

## Loans to Households

The delinquency rate on residential real estate loans moved up 25 basis points, to 1.7 percent, over the four quarters of 2005 but was still well below its historical average (figure 25). Delinquency rates picked up both on one- to four-family residential real estate loans and on home equity loans. A midyear change in reporting instructions that requires seller- or servicer-banks to rebook delinquent mortgages that they had previously securitized and then sold as issues backed by the Government National Mortgage Association (GNMA) considerably boosted delinquent mortgages in the third and fourth quarters and accounted for much of the rise in the delinquency rate. In addition, broad measures of subprime mortgage delinquencies have moved up over the past few quarters.

Net charge-offs on residential real estate loans declined to a very low rate of 5 basis points by the fourth quarter as the economy remained strong and house prices appreciated. Although the increases in house prices moderated somewhat in the latter part of the year, gains over the year were still robust and boosted homeowners' equity.

Delinquencies and charge-offs on credit card loans were significantly affected by a surge of bankruptcy filings as households rushed to file before the rule changes in October (figure 25). As a result, the net charge-off rate on credit card loans jumped about 1 percentage point in the fourth quarter, to 5.7 percent. The pattern in bankruptcies and charge-offs was reflected in loan delinquencies, which had peaked at 3.9 percent in the third quarter but fell back to end the year lower than in 2004 (figure 26). Responses to the January 2006 BLPS survey indicated that much of the rise in fourth-quarter credit card charge-offs could be attributable to the loans that would have been written off in later quarters if the bankruptcy law had not been changed. Indeed, since October, bankruptcies have been very low, and likely as a consequence, the charge-off rate on securitized credit card loans fell sharply in the first few months of 2006 (figure A of box "The New Bankruptcy Law and Its Effect on Credit Card Loans").

The net charge-off rate on other consumer loans rose to a quite elevated level in the third quarter, but the movement came primarily from a large bank's change in its accounting for loans extended at its European offices. For the year as a whole, the rate was little changed from 2004. The delinquency rate on other consumer loans trended down in 2005 and ended the year at its lowest level in more than a decade.

### Securitized Loans

Delinquency rates on many types of securitized loans continued to decline from the relatively low levels posted in 2004. The delinquency rate on securitized credit card receivables at the end of the fourth quarter, about 3.3 percent, was down about 60 basis points from a year earlier. Although the delinquency rate on securitized mortgages rose for a time, it remained below the average level in 2004 and finished the year at just 3.7 percent. The delinquency rate on securitized home equity loans moved up a little and ended the year at about 0.8 percent, still a bit lower than the average level over the past few years.

### Loss Provisioning

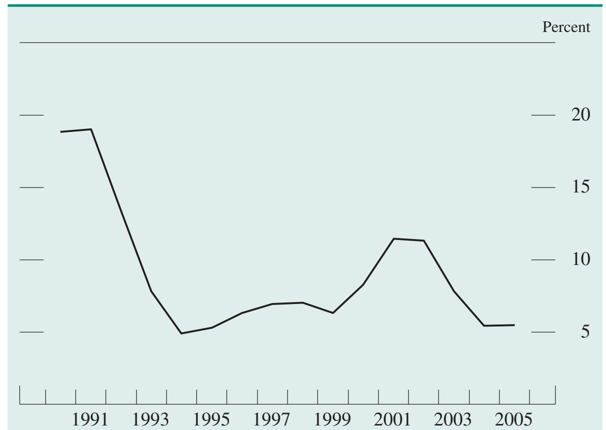
Banks' provisioning for loan losses as a share of average net consolidated assets held steady from 2004, even with the increase in provisioning in the third and fourth quarters caused by the surge in personal bankruptcies and the hurricanes. Provisions for loan and lease losses as a share of total revenue ticked up slightly, to 5.5 percent, but the measure remains in the bottom part of its range seen over the past decade (figure 27).

However, charge-offs outpaced provisions in 2005, and reserves for loan and lease losses fell about 5 percent. The ratio of reserves to total loans and leases fell for the third consecutive year, to 1.4 percent, its lowest level in almost twenty years (figure 28). But because of healthy credit quality overall, the ratio of reserves to delinquent loans held about steady at 86 percent; the ratio of reserves to net charge-offs changed little and remained near the middle of its range of the past several years.

## *International Operations of U.S. Commercial Banks*

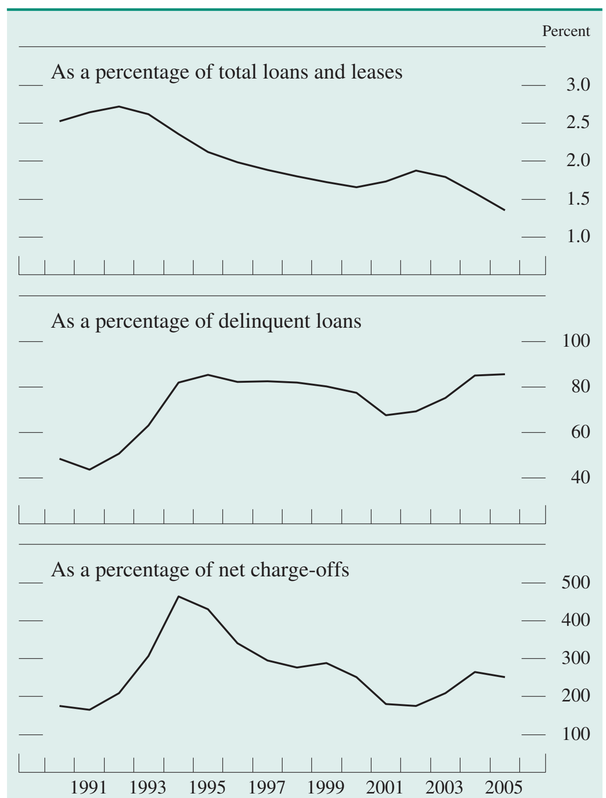
In 2005, the share of bank assets booked in foreign offices increased about 40 basis points, to 11.8 percent. The dollar volume of U.S. banks' exposures to India, Mexico, and Brazil, including lending and derivatives exposures for cross-border and local-office operations, rose somewhat, while exposures to other countries remained about flat relative to tier 1 capital (table 3). Improving economic prospects in India and Brazil probably contributed to a rise in U.S.

27. Provisions for loan and lease losses as a proportion of total revenue, 1990–2005




NOTE: The data are annual.

28. Reserves for loan and lease losses, 1990–2005




NOTE: The data are annual. For definitions of delinquencies and net charge-offs, refer to the note for figure 24.

3. Exposure of U.S. banks to selected countries at year-end relative to tier 1 capital, by bank size, 1997–2005

Percent

| Bank size and year | Selected Asian countries[1] | India | Eastern Europe and Russia | | Latin America | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | All | Russia | All | Mexico | Argentina | Brazil | |
| **All** | | | | | | | | | |
| 1997 | 16.11 | 1.48 | 3.47 | 1.80 | 29.67 | 5.48 | 5.84 | 9.74 | 50.73 |
| 1998 | 15.49 | 2.35 | 3.49 | .43 | 42.93 | 9.88 | 9.66 | 11.27 | 64.26 |
| 1999 | 14.37 | 2.39 | 2.85 | .37 | 39.00 | 9.50 | 9.40 | 10.49 | 58.61 |
| 2000 | 13.17 | 2.63 | 4.35 | .49 | 37.88 | 9.08 | 8.41 | 11.15 | 58.03 |
| 2001 | 12.09 | 2.55 | 4.29 | .60 | 54.06 | 25.97 | 6.61 | 2.99 | 72.99 |
| 2002 | 11.44 | 2.74 | 5.53 | 1.06 | 38.90 | 20.80 | 2.44 | 8.36 | 58.61 |
| 2003 | 11.15 | 3.86 | 5.44 | 1.48 | 32.85 | 17.95 | 1.73 | 6.77 | 53.30 |
| 2004 | 20.33 | 4.16 | 6.09 | 1.54 | 31.78 | 16.65 | 1.47 | 6.51 | 62.36 |
| 2005 | 17.77 | 4.92 | 5.87 | 1.95 | 31.84 | 17.36 | 1.34 | 6.94 | 60.40 |
| *Money center and other large banks* | | | | | | | | | |
| 1997 | 26.87 | 2.58 | 6.12 | 3.16 | 48.37 | 8.40 | 10.01 | 16.13 | 83.94 |
| 1998 | 24.02 | 4.19 | 5.61 | .68 | 64.20 | 14.10 | 15.19 | 17.04 | 98.02 |
| 1999 | 20.73 | 3.56 | 4.25 | .55 | 53.90 | 12.62 | 13.63 | 14.53 | 82.44 |
| 2000 | 19.98 | 4.14 | 6.83 | .77 | 54.98 | 12.69 | 12.68 | 16.40 | 85.93 |
| 2001 | 17.88 | 3.86 | 6.47 | .91 | 79.08 | 34.54 | 9.79 | 18.74 | 107.29 |
| 2002 | 16.96 | 4.18 | 8.17 | 1.63 | 57.32 | 31.14 | 3.65 | 12.38 | 86.63 |
| 2003 | 16.98 | 5.93 | 8.41 | 2.29 | 49.19 | 27.13 | 2.64 | 10.02 | 80.51 |
| 2004 | 30.95 | 6.31 | 9.34 | 2.36 | 46.96 | 24.99 | 2.22 | 9.59 | 93.56 |
| 2005 | 27.16 | 7.52 | 8.93 | 2.96 | 47.39 | 26.16 | 2.04 | 10.35 | 91.00 |
| *Other banks* | | | | | | | | | |
| 1997 | 2.34 | .07 | .08 | .05 | 5.73 | 1.75 | .51 | 1.56 | 8.22 |
| 1998 | 2.08 | .05 | .16 | .00 | 9.51 | 3.24 | .97 | .00 | 11.80 |
| 1999 | 1.75 | .07 | .08 | .01 | 9.41 | 3.31 | 1.01 | 2.47 | 11.31 |
| 2000 | 1.41 | .03 | .08 | .00 | 8.35 | 2.84 | 1.04 | 2.08 | 9.87 |
| 2001 | 1.07 | .06 | .14 | .00 | 6.45 | 2.04 | .57 | 2.05 | 7.72 |
| 2002 | 1.03 | .08 | .65 | .00 | 5.00 | 1.86 | .02 | .96 | 6.76 |
| 2003 | .90 | .24 | .21 | .06 | 4.20 | 1.53 | .13 | 1.05 | 5.55 |
| 2004 | .90 | .21 | .14 | .04 | 4.00 | 1.39 | .09 | .85 | 5.25 |
| 2005 | .55 | .16 | .25 | .10 | 3.37 | 1.24 | .06 | .69 | 1.06 |
| MEMO | | | | | | | | | |
| *Total exposure (billions of dollars)* | | | | | | | | | |
| 1997 | 55.24 | 5.07 | 11.91 | 6.16 | 101.73 | 18.80 | 20.03 | 33.40 | 173.96 |
| 1998 | 37.87 | 5.43 | 8.53 | 1.05 | 104.69 | 24.15 | 23.62 | 27.55 | 156.52 |
| 1999 | 37.45 | 6.23 | 7.43 | .95 | 101.63 | 24.77 | 24.51 | 27.34 | 152.74 |
| 2000 | 37.30 | 7.46 | 12.33 | 1.39 | 107.31 | 25.71 | 23.82 | 31.59 | 164.40 |
| 2001 | 36.32 | 7.66 | 12.88 | 1.80 | 162.39 | 78.00 | 19.87 | 39.01 | 219.25 |
| 2002 | 36.32 | 8.70 | 17.55 | 3.37 | 123.53 | 66.15 | 7.75 | 26.55 | 186.10 |
| 2003 | 39.12 | 13.55 | 19.07 | 5.20 | 115.23 | 62.98 | 6.07 | 23.74 | 186.97 |
| 2004 | 79.57 | 16.27 | 23.85 | 6.02 | 124.39 | 65.17 | 5.75 | 25.46 | 244.07 |
| 2005 | 77.92 | 21.58 | 25.73 | 8.55 | 139.66 | 76.14 | 5.87 | 30.42 | 264.89 |

NOTE: For the definition of tier 1 capital, see text note 11. Exposures consist of lending and derivatives exposures for cross-border and local-office operations. Respondents may file information on one bank or on the bank holding company as a whole.

The year-end 2005 data cover sixty-seven banks with a total of $438.6 billion in tier 1 capital; of these institutions, four were money center banks, with $217.5 billion in tier 1 capital, and four were other large banks, with $66.2 billion in tier 1 capital; the remaining fifty-nine (“other”) banks had $154.9 billion in tier 1 capital. The average “other” bank at year-end 2005 had $33.8 billion in assets.

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

SOURCE: Federal Financial Institutions Examination Council (2006), Statistical Release E.16, “Country Exposure Lending Survey” (March 31), www.ffiec.gov/E16.htm.

banks’ exposures to these countries; most of the increase was at money center and other large banks.

## DEVELOPMENTS IN EARLY 2006

The economy expanded briskly over the first three months of 2006. Growth in consumer spending and business purchases rebounded, and levels of resource utilization increased. The prices of crude oil and of some other commodities moved higher, and consumer energy prices rose further, but core inflation remained relatively low. In these circumstances, the Federal Reserve firmed policy by raising the target federal funds rate 25 basis points at each of its first two meetings in 2006. Longer-term interest rates also rose considerably over the first quarter—yields on ten-year nominal Treasury securities increased nearly 50 basis points.

Weekly data published by the Federal Reserve indicates that asset growth at commercial banks remained rapid in the first quarter of 2006.[20] Expansion in securities was supported by increased holdings of Treasury and agency debt, and loan growth remained vigorous. C&I loans continued to advance briskly, and, although the growth in loans secured by real estate slowed, it remained near a double-digit pace. Robust increases in deposits continued to help fund the strong expansion in assets over the first quarter.

20. Statistical Release H.8, “Assets and Liabilities of Commercial Banks in the United States” (www.federalreserve.gov/releases/h8).

Bank profitability appeared to remain strong in early 2006 according to the statements on first-quarter earnings of several large bank holding companies. Although results varied across institutions, some trimmed their loan loss provisions in the first quarter, citing solid asset quality. The pace of personal bankruptcy filings remained well below the level they had reached before the new bankruptcy law took effect last October. Non-interest income was supported by gains in fee income and trading revenue. Despite continued increases in deposit rates, changes in net interest margins appear to have been mixed. And with bank assets expanding notably, growth in net interest income appears to have been solid.

Reflecting strong balance sheets and continuing profitability over the first quarter, stock prices of large bank holding companies generally rose a bit more than did the equity prices of large firms in general, as measured by the S&P 500 stock index. However, the gains in bank stock prices were in line with those of the broader market, as measured by the Wilshire 5000. Roughly the same number of mergers—consolidations of one bank charter into another—occurred in the first quarter of 2006 as in the first quarter of 2005, but the mergers in 2006 have generally involved significantly smaller-sized institutions.

## A.1. Portfolio composition, interest rates, and income and expense, U.S. banks, 1996–2005

A. All banks

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet items as a percentage of average net consolidated assets | | | | | | | | | |
| Interest-earning assets | 87.38 | 87.15 | 86.76 | 87.03 | 87.13 | 86.49 | 86.42 | 86.08 | 86.90 | 86.83 |
| Loans and leases, net | 59.91 | 58.72 | 58.33 | 59.34 | 60.48 | 58.95 | 57.83 | 56.88 | 56.98 | 57.88 |
| Commercial and industrial | 15.59 | 15.77 | 16.36 | 17.07 | 17.16 | 16.08 | 14.07 | 12.18 | 11.06 | 11.17 |
| U.S. addressees | 13.06 | 13.17 | 13.61 | 14.43 | 14.67 | 13.69 | 12.04 | 10.48 | 9.52 | 9.63 |
| Foreign addressees | 2.53 | 2.60 | 2.75 | 2.64 | 2.49 | 2.39 | 2.04 | 1.70 | 1.54 | 1.53 |
| Consumer | 12.27 | 11.50 | 10.41 | 9.71 | 9.38 | 9.23 | 9.35 | 9.06 | 9.18 | 9.12 |
| Credit card | 4.93 | 4.62 | 4.02 | 3.51 | 3.52 | 3.63 | 3.78 | 3.55 | 3.86 | 4.05 |
| Installment and other | 7.34 | 6.88 | 6.39 | 6.20 | 5.87 | 5.60 | 5.57 | 5.51 | 5.31 | 5.06 |
| Real estate | 25.04 | 25.00 | 24.85 | 25.44 | 27.04 | 27.10 | 28.39 | 29.91 | 30.78 | 32.40 |
| In domestic offices | 24.42 | 24.39 | 24.28 | 24.87 | 26.49 | 26.60 | 27.91 | 29.46 | 30.25 | 31.84 |
| Construction and land development | 1.63 | 1.73 | 1.86 | 2.18 | 2.51 | 2.85 | 2.98 | 2.99 | 3.25 | 3.89 |
| Farmland | .56 | .55 | .55 | .56 | .56 | .55 | .56 | .54 | .54 | .54 |
| One- to four-family residential | 14.42 | 14.41 | 14.25 | 14.10 | 14.96 | 14.67 | 15.40 | 16.96 | 17.42 | 18.27 |
| Home equity | 1.85 | 1.94 | 1.89 | 1.76 | 1.96 | 2.18 | 2.80 | 3.40 | 4.34 | 4.95 |
| Other | 12.57 | 12.47 | 12.37 | 12.34 | 13.00 | 12.49 | 12.60 | 13.57 | 13.09 | 13.32 |
| Multifamily residential | .85 | .83 | .82 | .88 | .99 | .97 | 1.02 | 1.05 | 1.06 | 1.08 |
| Nonfarm nonresidential | 6.96 | 6.88 | 6.80 | 7.15 | 7.48 | 7.56 | 7.95 | 7.91 | 7.98 | 8.06 |
| In foreign offices | .63 | .61 | .57 | .57 | .54 | .50 | .48 | .46 | .53 | .56 |
| To depository institutions and acceptances of other banks | 2.33 | 1.93 | 1.91 | 1.96 | 1.87 | 1.83 | 1.87 | 1.98 | 2.11 | 1.73 |
| Foreign governments | .26 | .18 | .15 | .16 | .12 | .10 | .09 | .08 | .08 | .06 |
| Agricultural production | .92 | .90 | .89 | .83 | .78 | .75 | .70 | .63 | .59 | .56 |
| Other loans | 3.32 | 2.80 | 2.78 | 2.75 | 2.58 | 2.34 | 2.06 | 2.00 | 2.35 | 2.09 |
| Lease-financing receivables | 1.51 | 1.87 | 2.13 | 2.52 | 2.63 | 2.58 | 2.44 | 2.11 | 1.79 | 1.58 |
| Less: Unearned income on loans | –.12 | –.09 | –.07 | –.06 | –.05 | –.04 | –.05 | –.04 | –.04 | –.03 |
| Less: Loss reserves[1] | –1.21 | –1.13 | –1.07 | –1.04 | –1.02 | –1.04 | –1.11 | –1.04 | –.91 | –.79 |
| Securities | 21.00 | 20.40 | 20.37 | 20.40 | 20.01 | 19.53 | 21.27 | 21.90 | 22.57 | 22.05 |
| Investment account | 18.19 | 17.23 | 17.48 | 18.33 | 17.59 | 16.82 | 18.30 | 18.97 | 18.99 | 17.87 |
| Debt | 17.74 | 16.74 | 16.93 | 17.73 | 16.93 | 16.48 | 17.99 | 18.72 | 18.79 | 17.71 |
| U.S. Treasury | 4.19 | 3.38 | 2.71 | 2.14 | 1.66 | .85 | .78 | .90 | .89 | .62 |
| U.S. government agency and corporation obligations | 9.74 | 9.73 | 10.28 | 10.85 | 10.31 | 10.08 | 11.46 | 12.26 | 12.37 | 11.51 |
| Government-backed mortgage pools | 4.80 | 4.93 | 5.16 | 5.24 | 4.75 | 5.13 | 6.09 | 6.75 | 7.13 | 6.78 |
| Collateralized mortgage obligations | 2.11 | 1.93 | 2.12 | 2.15 | 1.92 | 1.95 | 2.35 | 2.34 | 2.01 | 1.80 |
| Other | 2.83 | 2.86 | 2.99 | 3.46 | 3.63 | 2.99 | 3.02 | 3.17 | 3.22 | 2.93 |
| State and local government | 1.68 | 1.59 | 1.57 | 1.62 | 1.52 | 1.49 | 1.49 | 1.48 | 1.41 | 1.36 |
| Private mortgage-backed securities | .61 | .50 | .67 | .88 | .95 | 1.09 | 1.25 | 1.30 | 1.41 | 1.76 |
| Other | 1.51 | 1.54 | 1.70 | 2.24 | 2.48 | 2.98 | 3.01 | 2.78 | 2.72 | 2.47 |
| Equity | .45 | .50 | .55 | .61 | .66 | .34 | .31 | .25 | .20 | .16 |
| Trading account | 2.81 | 3.16 | 2.90 | 2.06 | 2.43 | 2.72 | 2.97 | 2.93 | 3.58 | 4.17 |
| Gross federal funds sold and reverse RPs | 3.81 | 5.18 | 5.37 | 4.61 | 4.12 | 5.11 | 4.81 | 4.85 | 4.58 | 4.75 |
| Interest-bearing balances at depositories | 2.66 | 2.86 | 2.69 | 2.68 | 2.52 | 2.90 | 2.52 | 2.45 | 2.76 | 2.15 |
| Non-interest-earning assets | 12.62 | 12.85 | 13.24 | 12.97 | 12.87 | 13.51 | 13.58 | 13.92 | 13.10 | 13.17 |
| Revaluation gains held in trading accounts | 2.24 | 2.59 | 2.95 | 2.57 | 2.28 | 2.37 | 2.42 | 2.70 | 2.19 | 1.82 |
| Other | 10.37 | 10.26 | 10.29 | 10.40 | 10.58 | 11.15 | 11.16 | 11.22 | 10.91 | 11.36 |
| Liabilities | 91.73 | 91.57 | 91.51 | 91.52 | 91.58 | 91.25 | 90.85 | 90.96 | 90.57 | 89.91 |
| Core deposits | 52.72 | 50.89 | 49.43 | 48.60 | 46.52 | 47.07 | 48.98 | 49.18 | 48.56 | 47.54 |
| Transaction deposits | 17.57 | 15.76 | 14.10 | 12.58 | 11.07 | 10.36 | 10.06 | 9.73 | 9.10 | 8.46 |
| Demand deposits | 12.81 | 12.15 | 10.99 | 9.78 | 8.61 | 8.00 | 7.67 | 7.26 | 6.58 | 6.16 |
| Other checkable deposits | 4.75 | 3.61 | 3.11 | 2.81 | 2.46 | 2.36 | 2.39 | 2.47 | 2.52 | 2.30 |
| Savings deposits (including MMDAs) | 19.07 | 19.76 | 20.87 | 22.47 | 22.43 | 24.53 | 28.13 | 30.12 | 31.19 | 30.85 |
| Small time deposits | 16.08 | 15.37 | 14.46 | 13.55 | 13.01 | 12.18 | 10.80 | 9.33 | 8.27 | 8.24 |
| Managed liabilities[2] | 32.77 | 34.13 | 34.97 | 36.59 | 38.83 | 37.42 | 35.05 | 34.61 | 35.69 | 36.22 |
| Large time deposits | 6.52 | 7.25 | 7.67 | 7.89 | 8.76 | 8.89 | 8.30 | 8.09 | 8.00 | 9.08 |
| Deposits booked in foreign offices | 10.45 | 10.48 | 10.59 | 10.96 | 11.43 | 10.66 | 9.42 | 9.38 | 10.24 | 10.39 |
| Subordinated notes and debentures | 1.07 | 1.15 | 1.30 | 1.36 | 1.37 | 1.43 | 1.40 | 1.33 | 1.30 | 1.34 |
| Gross federal funds purchased and RPs | 7.18 | 8.13 | 7.98 | 7.97 | 7.83 | 7.95 | 7.77 | 7.75 | 7.24 | 7.05 |
| Other managed liabilities | 7.54 | 7.13 | 7.43 | 8.41 | 9.44 | 8.49 | 8.16 | 8.06 | 8.91 | 8.37 |
| Revaluation losses held in trading accounts | 2.14 | 2.64 | 2.97 | 2.52 | 2.29 | 2.21 | 2.09 | 2.30 | 1.95 | 1.67 |
| Other | 4.10 | 3.91 | 4.14 | 3.81 | 3.94 | 4.54 | 4.73 | 4.87 | 4.36 | 4.47 |
| Capital account | 8.27 | 8.43 | 8.49 | 8.48 | 8.42 | 8.75 | 9.15 | 9.04 | 9.43 | 10.09 |
| Memo | | | | | | | | | | |
| Commercial real estate loans[3] | 9.91 | 9.98 | 10.11 | 10.87 | 11.58 | 12.09 | 12.57 | 12.47 | 12.78 | 13.51 |
| Other real estate owned[4] | .14 | .11 | .08 | .06 | .05 | .05 | .06 | .06 | .06 | .04 |
| Mortgage-backed securities | 7.53 | 7.37 | 7.96 | 8.27 | 7.63 | 8.17 | 9.69 | 10.39 | 10.56 | 10.33 |
| Federal Home Loan Bank advances | n.a. | n.a. | n.a. | n.a. | n.a. | 2.89 | 3.17 | 3.19 | 3.07 | 3.04 |
| Average net consolidated assets (billions of dollars) | 4,379 | 4,737 | 5,148 | 5,439 | 5,906 | 6,334 | 6,635 | 7,249 | 7,879 | 8,592 |

## A.1.—Continued

A. All banks—Continued

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate (percent)[5] | | | | | | | | | |
| *Rates earned* | | | | | | | | | | |
| Interest-earning assets | 8.16 | 8.17 | 8.02 | 7.71 | 8.20 | 7.37 | 6.11 | 5.30 | 5.10 | 5.71 |
| Taxable equivalent | 8.22 | 8.23 | 8.07 | 7.76 | 8.26 | 7.42 | 6.15 | 5.34 | 5.14 | 5.75 |
| Loans and leases, gross | 9.01 | 9.03 | 8.85 | 8.47 | 9.00 | 8.15 | 6.90 | 6.16 | 5.91 | 6.52 |
| Net of loss provisions | 8.56 | 8.50 | 8.30 | 7.97 | 8.33 | 7.15 | 5.85 | 5.48 | 5.48 | 6.10 |
| Securities | 6.46 | 6.54 | 6.45 | 6.27 | 6.47 | 6.04 | 4.95 | 3.96 | 3.86 | 4.18 |
| Taxable equivalent | 6.66 | 6.73 | 6.63 | 6.46 | 6.65 | 6.22 | 5.10 | 4.10 | 3.99 | 4.30 |
| Investment account | 6.39 | 6.50 | 6.38 | 6.25 | 6.45 | 6.05 | 5.04 | 4.00 | 3.96 | 4.29 |
| U.S. Treasury securities and U.S. government agency obligations (excluding MBS) | n.a. | n.a. | n.a. | n.a. | n.a. | 5.76 | 4.42 | 3.29 | 3.11 | 3.46 |
| Mortgage-backed securities | n.a. | n.a. | n.a. | n.a. | n.a. | 6.45 | 5.44 | 4.24 | 4.38 | 4.60 |
| Other | n.a. | n.a. | n.a. | n.a. | n.a. | 5.60 | 4.74 | 4.08 | 3.76 | 4.22 |
| Trading account | 6.86 | 6.75 | 6.85 | 6.47 | 6.63 | 6.01 | 4.38 | 3.71 | 3.35 | 3.72 |
| Gross federal funds sold and reverse RPs | 5.21 | 5.45 | 5.29 | 4.78 | 5.56 | 3.86 | 1.93 | 1.43 | 1.43 | 2.65 |
| Interest-bearing balances at depositories | 6.20 | 6.23 | 6.32 | 5.95 | 6.48 | 4.01 | 2.79 | 2.09 | 1.98 | 3.70 |
| *Rates paid* | | | | | | | | | | |
| Interest-bearing liabilities | 4.82 | 4.92 | 4.88 | 4.47 | 5.17 | 4.15 | 2.54 | 1.87 | 1.77 | 2.68 |
| Interest-bearing deposits | 4.34 | 4.39 | 4.31 | 3.87 | 4.45 | 3.61 | 2.12 | 1.48 | 1.37 | 2.05 |
| In foreign offices | 5.54 | 5.44 | 5.66 | 4.91 | 5.61 | 3.95 | 2.38 | 1.64 | 1.77 | 2.78 |
| In domestic offices | 4.07 | 4.16 | 4.01 | 3.63 | 4.17 | 3.54 | 2.07 | 1.45 | 1.29 | 1.91 |
| Other checkable deposits | 2.04 | 2.25 | 2.29 | 2.08 | 2.34 | 1.96 | 1.06 | .75 | .77 | 1.41 |
| Savings (including MMDAs) | 3.00 | 2.93 | 2.79 | 2.49 | 2.86 | 2.19 | 1.13 | .74 | .72 | 1.24 |
| Large time deposits[6] | 5.39 | 5.45 | 5.22 | 4.92 | 5.78 | 5.04 | 3.38 | 2.59 | 2.35 | 3.19 |
| Other time deposits[6] | 5.40 | 5.54 | 5.48 | 5.09 | 5.69 | 5.43 | 3.73 | 2.91 | 2.56 | 3.10 |
| Gross federal funds purchased and RPs | 5.12 | 5.17 | 5.19 | 4.73 | 5.77 | 3.84 | 1.88 | 1.30 | 1.55 | 3.09 |
| Other interest-bearing liabilities | 6.92 | 6.94 | 6.89 | 6.48 | 6.97 | 5.92 | 4.32 | 3.59 | 3.26 | 4.50 |
| | Income and expense as a percentage of average net consolidated assets | | | | | | | | | |
| Gross interest income | 7.16 | 7.15 | 6.99 | 6.73 | 7.18 | 6.38 | 5.28 | 4.55 | 4.44 | 4.98 |
| Taxable equivalent | 7.22 | 7.21 | 7.04 | 6.78 | 7.22 | 6.43 | 5.32 | 4.59 | 4.48 | 5.02 |
| Loans | 5.48 | 5.41 | 5.27 | 5.12 | 5.53 | 4.92 | 4.07 | 3.56 | 3.42 | 3.82 |
| Securities | 1.16 | 1.11 | 1.10 | 1.14 | 1.15 | 1.00 | .89 | .74 | .74 | .77 |
| Gross federal funds sold and reverse RPs | .21 | .29 | .29 | .23 | .23 | .20 | .09 | .07 | .07 | .13 |
| Other | .32 | .35 | .32 | .24 | .27 | .27 | .22 | .18 | .21 | .26 |
| Gross interest expense | 3.43 | 3.48 | 3.46 | 3.22 | 3.76 | 2.98 | 1.79 | 1.30 | 1.26 | 1.89 |
| Deposits | 2.46 | 2.48 | 2.43 | 2.20 | 2.56 | 2.09 | 1.23 | .87 | .81 | 1.23 |
| Gross federal funds purchased and RPs | .38 | .43 | .43 | .39 | .45 | .31 | .15 | .10 | .12 | .23 |
| Other | .59 | .57 | .60 | .63 | .75 | .58 | .41 | .33 | .33 | .44 |
| Net interest income | 3.73 | 3.68 | 3.53 | 3.51 | 3.41 | 3.40 | 3.48 | 3.25 | 3.18 | 3.09 |
| Taxable equivalent | 3.79 | 3.73 | 3.57 | 3.56 | 3.46 | 3.45 | 3.52 | 3.28 | 3.22 | 3.13 |
| Loss provisions[7] | .37 | .41 | .42 | .39 | .50 | .68 | .68 | .45 | .30 | .30 |
| Non-interest income | 2.18 | 2.23 | 2.40 | 2.66 | 2.59 | 2.54 | 2.54 | 2.53 | 2.39 | 2.33 |
| Service charges on deposits | .39 | .39 | .38 | .40 | .40 | .42 | .45 | .44 | .42 | .39 |
| Fiduciary activities | .33 | .35 | .37 | .38 | .38 | .35 | .32 | .31 | .32 | .31 |
| Trading revenue | .17 | .17 | .15 | .19 | .21 | .20 | .16 | .16 | .13 | .17 |
| Interest rate exposures | .09 | .08 | .05 | .07 | .08 | .09 | .08 | .06 | .03 | .05 |
| Foreign exchange rate exposures | .06 | .08 | .09 | .09 | .08 | .07 | .07 | .07 | .07 | .07 |
| Other commodity and equity exposures | .02 | * | .01 | .03 | .04 | .03 | .01 | .02 | .03 | .04 |
| Other | 1.29 | 1.32 | 1.49 | 1.69 | 1.61 | 1.57 | 1.61 | 1.63 | 1.52 | 1.47 |
| Non-interest expense | 3.71 | 3.61 | 3.77 | 3.76 | 3.66 | 3.57 | 3.47 | 3.36 | 3.34 | 3.19 |
| Salaries, wages, and employee benefits | 1.55 | 1.53 | 1.55 | 1.58 | 1.51 | 1.49 | 1.51 | 1.50 | 1.46 | 1.44 |
| Occupancy | .48 | .47 | .47 | .48 | .45 | .44 | .44 | .43 | .42 | .41 |
| Other | 1.69 | 1.62 | 1.75 | 1.70 | 1.70 | 1.64 | 1.52 | 1.43 | 1.46 | 1.34 |
| Net non-interest expense | 1.54 | 1.38 | 1.36 | 1.11 | 1.07 | 1.03 | .93 | .82 | .95 | .86 |
| Gains on investment account securities | .03 | .04 | .06 | * | −.04 | .07 | .10 | .08 | .05 | * |
| Income before taxes and extraordinary items | 1.85 | 1.92 | 1.81 | 2.02 | 1.81 | 1.77 | 1.97 | 2.05 | 1.97 | 1.93 |
| Taxes | .65 | .68 | .62 | .72 | .63 | .59 | .65 | .67 | .64 | .62 |
| Extraordinary items, net of income taxes | * | * | .01 | * | * | −.01 | * | .01 | * | * |
| Net income | 1.20 | 1.25 | 1.20 | 1.31 | 1.18 | 1.17 | 1.32 | 1.39 | 1.34 | 1.31 |
| Cash dividends declared | .90 | .90 | .80 | .96 | .89 | .87 | 1.01 | 1.07 | .76 | .75 |
| Retained income | .30 | .35 | .40 | .35 | .29 | .31 | .30 | .31 | .58 | .56 |
| MEMO: Return on equity | 14.51 | 14.83 | 14.08 | 15.39 | 13.97 | 13.40 | 14.40 | 15.33 | 14.16 | 13.01 |

1. Includes allocated transfer risk reserve.

2. Measured as the sum of large time deposits in domestic offices, deposits booked in foreign offices, subordinated notes and debentures, federal funds purchased and securities sold under repurchase agreements, Federal Home Loan Bank advances, and other borrowed money.

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

4. Other real estate owned is a component of other non-interest-earning assets.

5. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.

6. Before 1997, large time deposit open accounts were included in other time deposits.

7. Includes provisions for allocated transfer risk.

* In absolute value, less than 0.005 percent.

n.a. Not available.

MMDA Money market deposit account.

RP Repurchase agreement.

MBS Mortgage-backed securities.

## A.1. Portfolio composition, interest rates, and income and expense, U.S. banks, 1996–2005

B. Ten largest banks by assets

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet items as a percentage of average net consolidated assets | | | | | | | | | |
| Interest-earning assets | 80.12 | 81.84 | 81.25 | 81.49 | 82.23 | 81.74 | 81.68 | 81.39 | 83.54 | 83.96 |
| Loans and leases, net | 53.51 | 50.91 | 50.76 | 53.37 | 55.22 | 53.86 | 53.61 | 52.20 | 51.29 | 51.35 |
| Commercial and industrial | 17.17 | 16.90 | 18.07 | 19.20 | 19.87 | 18.82 | 16.16 | 12.98 | 10.54 | 10.61 |
| U.S. addressees | 9.59 | 10.24 | 11.76 | 13.14 | 13.95 | 13.42 | 11.69 | 9.40 | 7.49 | 7.74 |
| Foreign addressees | 7.59 | 6.66 | 6.31 | 6.06 | 5.92 | 5.41 | 4.47 | 3.59 | 3.06 | 2.87 |
| Consumer | 6.22 | 6.40 | 6.04 | 5.94 | 5.43 | 6.17 | 7.82 | 7.96 | 8.49 | 8.80 |
| Credit card | 1.23 | 1.34 | 1.30 | 1.36 | 1.34 | 1.64 | 2.90 | 2.81 | 3.19 | 3.60 |
| Installment and other | 4.99 | 5.06 | 4.74 | 4.58 | 4.09 | 4.53 | 4.92 | 5.15 | 5.30 | 5.21 |
| Real estate | 16.53 | 17.42 | 16.51 | 16.96 | 19.82 | 19.23 | 20.78 | 22.68 | 23.21 | 24.55 |
| In domestic offices | 14.44 | 15.69 | 15.08 | 15.55 | 18.48 | 18.05 | 19.70 | 21.74 | 22.21 | 23.52 |
| Construction and land development | .51 | .68 | .77 | .90 | .98 | 1.27 | 1.42 | 1.36 | 1.40 | 1.70 |
| Farmland | .06 | .09 | .09 | .10 | .11 | .11 | .12 | .10 | .10 | .10 |
| One- to four-family residential | 10.43 | 11.02 | 10.33 | 10.77 | 13.37 | 12.41 | 13.51 | 16.03 | 16.71 | 17.73 |
| Home equity | 1.53 | 1.70 | 1.72 | 1.54 | 1.61 | 1.78 | 2.35 | 2.96 | 4.04 | 5.22 |
| Other | 8.90 | 9.31 | 8.61 | 9.22 | 11.76 | 10.63 | 11.17 | 13.07 | 12.67 | 12.52 |
| Multifamily residential | .38 | .39 | .38 | .43 | .60 | .51 | .55 | .47 | .45 | .44 |
| Nonfarm nonresidential | 3.05 | 3.52 | 3.51 | 3.35 | 3.42 | 3.76 | 4.09 | 3.78 | 3.55 | 3.55 |
| In foreign offices | 2.09 | 1.73 | 1.43 | 1.41 | 1.34 | 1.18 | 1.08 | .94 | 1.00 | 1.03 |
| To depository institutions and acceptances of other banks | 6.14 | 4.20 | 4.05 | 4.34 | 3.78 | 3.23 | 3.20 | 3.54 | 4.10 | 3.15 |
| Foreign governments | .69 | .45 | .35 | .38 | .28 | .20 | .20 | .17 | .16 | .12 |
| Agricultural production | .23 | .31 | .28 | .26 | .23 | .28 | .23 | .19 | .22 | .20 |
| Other loans | 6.34 | 4.15 | 3.74 | 3.96 | 3.75 | 3.51 | 2.94 | 2.87 | 3.32 | 2.81 |
| Lease-financing receivables | 1.59 | 2.24 | 2.81 | 3.40 | 3.07 | 3.43 | 3.44 | 2.87 | 2.08 | 1.78 |
| LESS: Unearned income on loans | –.11 | –.07 | –.06 | –.05 | –.04 | –.04 | –.08 | –.06 | –.04 | –.04 |
| LESS: Loss reserves [1] | –1.30 | –1.08 | –1.01 | –1.03 | –.97 | –.97 | –1.12 | –1.02 | –.80 | –.65 |
| Securities | 19.83 | 20.00 | 19.72 | 18.34 | 18.98 | 17.81 | 20.54 | 21.22 | 22.95 | 23.37 |
| Investment account | 10.60 | 10.97 | 12.12 | 13.08 | 13.71 | 12.14 | 14.36 | 15.31 | 15.99 | 15.59 |
| Debt | 10.22 | 10.55 | 11.64 | 12.57 | 13.03 | 11.88 | 14.13 | 15.11 | 15.83 | 15.44 |
| U.S. Treasury | 1.93 | 1.56 | 1.70 | 1.98 | 1.96 | .68 | .59 | .82 | .86 | .56 |
| U.S. government agency and corporation obligations | 4.59 | 5.34 | 6.31 | 6.35 | 6.59 | 6.84 | 8.69 | 9.20 | 9.92 | 9.69 |
| Government-backed mortgage pools | 3.58 | 4.26 | 5.13 | 5.03 | 4.88 | 4.99 | 6.38 | 7.59 | 8.64 | 8.65 |
| Collateralized mortgage obligations | .95 | .93 | .93 | .79 | .93 | 1.11 | 1.52 | .91 | .70 | .54 |
| Other | .06 | .15 | .26 | .52 | .78 | .74 | .79 | .70 | .58 | .50 |
| State and local government | .39 | .51 | .47 | .45 | .51 | .55 | .59 | .59 | .57 | .58 |
| Private mortgage-backed securities | .30 | .32 | .60 | .57 | .51 | .58 | .92 | 1.10 | .96 | 1.18 |
| Other | 3.01 | 2.81 | 2.57 | 3.22 | 3.47 | 3.22 | 3.34 | 3.40 | 3.52 | 3.43 |
| Equity | .38 | .42 | .47 | .51 | .68 | .26 | .22 | .20 | .16 | .14 |
| Trading account | 9.23 | 9.03 | 7.60 | 5.25 | 5.26 | 5.67 | 6.18 | 5.91 | 6.96 | 7.79 |
| Gross federal funds sold and reverse RPs | 3.10 | 7.56 | 7.81 | 6.64 | 5.02 | 6.38 | 5.26 | 5.79 | 6.37 | 6.96 |
| Interest-bearing balances at depositories | 3.68 | 3.37 | 2.96 | 3.14 | 3.01 | 3.69 | 2.28 | 2.18 | 2.93 | 2.28 |
| Non-interest-earning assets | 19.88 | 18.16 | 18.75 | 18.51 | 17.77 | 18.26 | 18.32 | 18.61 | 16.46 | 16.04 |
| Revaluation gains held in trading accounts | 7.63 | 7.36 | 7.62 | 6.66 | 5.66 | 5.48 | 5.40 | 5.79 | 4.45 | 3.50 |
| Other | 12.25 | 10.80 | 11.13 | 11.85 | 12.11 | 12.78 | 12.93 | 12.83 | 12.01 | 12.54 |
| Liabilities | 93.04 | 92.61 | 92.58 | 92.28 | 92.36 | 92.14 | 91.52 | 91.94 | 91.64 | 90.81 |
| Core deposits | 29.12 | 31.66 | 32.94 | 33.76 | 33.28 | 36.38 | 40.61 | 41.07 | 42.02 | 40.18 |
| Transaction deposits | 11.34 | 10.19 | 9.45 | 8.55 | 8.01 | 8.40 | 8.34 | 7.74 | 6.65 | 6.05 |
| Demand deposits | 9.73 | 8.98 | 8.46 | 7.83 | 7.28 | 7.50 | 7.40 | 6.72 | 5.43 | 4.90 |
| Other checkable deposits | 1.61 | 1.21 | .99 | .72 | .74 | .90 | .95 | 1.02 | 1.22 | 1.15 |
| Savings deposits (including MMDAs) | 12.93 | 15.32 | 17.07 | 18.94 | 19.24 | 22.21 | 26.82 | 28.99 | 31.54 | 30.11 |
| Small time deposits | 4.85 | 6.15 | 6.42 | 6.26 | 6.03 | 5.77 | 5.44 | 4.34 | 3.83 | 4.02 |
| Managed liabilities [2] | 47.39 | 46.02 | 44.42 | 45.49 | 46.84 | 43.41 | 38.89 | 38.60 | 39.33 | 40.83 |
| Large time deposits | 3.04 | 4.17 | 5.04 | 5.19 | 5.55 | 5.46 | 5.13 | 5.53 | 5.21 | 6.28 |
| Deposits booked in foreign offices | 27.78 | 23.39 | 21.23 | 22.22 | 22.76 | 20.28 | 17.31 | 16.62 | 17.20 | 17.51 |
| Subordinated notes and debentures | 1.90 | 1.80 | 1.89 | 1.98 | 2.10 | 2.16 | 2.11 | 1.92 | 1.78 | 1.89 |
| Gross federal funds purchased and RPs | 5.88 | 10.26 | 9.78 | 8.84 | 8.89 | 9.04 | 8.83 | 8.62 | 7.79 | 8.39 |
| Other managed liabilities | 8.79 | 6.40 | 6.49 | 7.27 | 7.55 | 6.47 | 5.53 | 5.90 | 7.35 | 6.76 |
| Revaluation losses held in trading accounts | 7.27 | 7.53 | 7.67 | 6.51 | 5.69 | 5.10 | 4.63 | 4.88 | 3.95 | 3.21 |
| Other | 9.26 | 7.39 | 7.55 | 6.52 | 6.55 | 7.26 | 7.39 | 7.40 | 6.34 | 6.60 |
| Capital account | 6.96 | 7.39 | 7.42 | 7.72 | 7.64 | 7.86 | 8.48 | 8.06 | 8.36 | 9.19 |
| MEMO | | | | | | | | | | |
| Commercial real estate loans [3] | 4.65 | 5.45 | 5.61 | 5.69 | 5.87 | 6.68 | 6.92 | 6.31 | 5.99 | 6.33 |
| Other real estate owned [4] | .18 | .13 | .09 | .06 | .04 | .04 | .03 | .03 | .03 | .02 |
| Mortgage-backed securities | 4.83 | 5.52 | 6.65 | 6.40 | 6.32 | 6.68 | 8.82 | 9.60 | 10.30 | 10.36 |
| Federal Home Loan Bank advances | n.a. | n.a. | n.a. | n.a. | n.a. | .82 | .82 | .84 | .79 | .63 |
| Average net consolidated assets (billions of dollars) | 1,189 | 1,514 | 1,820 | 1,935 | 2,234 | 2,527 | 2,785 | 3,148 | 3,654 | 4,232 |

## A.1.—Continued

B. Ten largest banks by assets—Continued

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate (percent)[5] | | | | | | | | | |
| *Rates earned* | | | | | | | | | | |
| Interest-earning assets | 7.72 | 7.57 | 7.55 | 7.37 | 7.76 | 6.83 | 5.83 | 5.01 | 4.72 | 5.29 |
| Taxable equivalent | 7.74 | 7.60 | 7.57 | 7.39 | 7.78 | 6.86 | 5.86 | 5.03 | 4.74 | 5.31 |
| Loans and leases, gross | 8.32 | 8.25 | 8.21 | 7.99 | 8.46 | 7.50 | 6.54 | 5.78 | 5.53 | 6.16 |
| Net of loss provisions | 8.31 | 8.10 | 7.77 | 7.65 | 7.92 | 6.55 | 5.32 | 5.21 | 5.30 | 5.84 |
| Securities | 6.80 | 6.78 | 6.83 | 6.58 | 6.48 | 6.23 | 5.04 | 4.15 | 4.04 | 4.27 |
| Taxable equivalent | 6.85 | 6.85 | 6.89 | 6.65 | 6.55 | 6.31 | 5.11 | 4.21 | 4.10 | 4.33 |
| Investment account | 6.70 | 6.76 | 6.78 | 6.59 | 6.40 | 6.23 | 5.30 | 4.26 | 4.37 | 4.63 |
| U.S. Treasury securities and U.S. government agency obligations (excluding MBS) | n.a. | n.a. | n.a. | n.a. | n.a. | 5.01 | 3.74 | 2.62 | 2.92 | 3.29 |
| Mortgage-backed securities | n.a. | n.a. | n.a. | n.a. | n.a. | 6.42 | 5.55 | 4.51 | 4.83 | 4.93 |
| Other | n.a. | n.a. | n.a. | n.a. | n.a. | 6.34 | 5.30 | 4.28 | 3.76 | 4.26 |
| Trading account | 6.90 | 6.81 | 6.92 | 6.56 | 6.70 | 6.24 | 4.46 | 3.87 | 3.32 | 3.57 |
| Gross federal funds sold and reverse RPs | 4.92 | 5.45 | 5.20 | 4.52 | 4.93 | 3.86 | 2.20 | 1.66 | 1.47 | 2.45 |
| Interest-bearing balances at depositories | 6.71 | 6.91 | 7.16 | 7.22 | 7.43 | 3.73 | 3.40 | 2.49 | 1.80 | 4.06 |
| *Rates paid* | | | | | | | | | | |
| Interest-bearing liabilities | 5.44 | 5.41 | 5.29 | 4.79 | 5.37 | 4.09 | 2.55 | 1.86 | 1.80 | 2.80 |
| Interest-bearing deposits | 4.57 | 4.54 | 4.40 | 3.82 | 4.40 | 3.27 | 1.95 | 1.36 | 1.30 | 2.00 |
| In foreign offices | 5.62 | 5.52 | 5.83 | 4.99 | 5.67 | 4.02 | 2.59 | 1.76 | 1.87 | 2.79 |
| In domestic offices | 3.32 | 3.69 | 3.39 | 3.04 | 3.51 | 2.84 | 1.68 | 1.20 | 1.08 | 1.68 |
| Other checkable deposits | 1.32 | 1.97 | 1.67 | 1.44 | 1.61 | 1.67 | .93 | .80 | .97 | 2.27 |
| Savings (including MMDAs) | 2.76 | 2.68 | 2.45 | 2.11 | 2.43 | 1.92 | 1.02 | .73 | .71 | 1.15 |
| Large time deposits[6] | 4.62 | 5.17 | 4.53 | 4.36 | 5.32 | 4.40 | 3.26 | 2.36 | 2.14 | 3.06 |
| Other time deposits[6] | 4.58 | 5.45 | 5.21 | 4.95 | 5.53 | 5.11 | 3.55 | 2.86 | 2.61 | 3.23 |
| Gross federal funds purchased and RPs | 4.93 | 5.02 | 5.18 | 4.53 | 5.47 | 3.81 | 2.02 | 1.39 | 1.71 | 3.16 |
| Other interest-bearing liabilities | 8.86 | 9.13 | 8.85 | 8.61 | 8.15 | 7.01 | 5.39 | 4.26 | 3.69 | 5.25 |
| | Income and expense as a percentage of average net consolidated assets | | | | | | | | | |
| Gross interest income | 6.26 | 6.31 | 6.21 | 6.01 | 6.39 | 5.55 | 4.78 | 4.06 | 3.95 | 4.47 |
| Taxable equivalent | 6.27 | 6.33 | 6.22 | 6.03 | 6.41 | 5.57 | 4.80 | 4.08 | 3.97 | 4.49 |
| Loans | 4.48 | 4.31 | 4.27 | 4.35 | 4.74 | 4.13 | 3.58 | 3.05 | 2.86 | 3.19 |
| Securities | .71 | .73 | .81 | .85 | .88 | .72 | .73 | .63 | .69 | .72 |
| Gross federal funds sold and reverse RPs | .18 | .45 | .42 | .30 | .25 | .25 | .12 | .10 | .10 | .18 |
| Other | .88 | .82 | .70 | .51 | .51 | .44 | .35 | .28 | .30 | .38 |
| Gross interest expense | 3.52 | 3.55 | 3.48 | 3.16 | 3.60 | 2.69 | 1.65 | 1.20 | 1.22 | 1.89 |
| Deposits | 2.26 | 2.26 | 2.20 | 1.97 | 2.33 | 1.74 | 1.06 | .75 | .74 | 1.16 |
| Gross federal funds purchased and RPs | .31 | .54 | .54 | .40 | .49 | .35 | .18 | .13 | .14 | .27 |
| Other | .95 | .75 | .74 | .79 | .78 | .59 | .41 | .33 | .33 | .45 |
| Net interest income | 2.73 | 2.76 | 2.73 | 2.84 | 2.78 | 2.87 | 3.13 | 2.86 | 2.73 | 2.58 |
| Taxable equivalent | 2.75 | 2.79 | 2.75 | 2.86 | 2.80 | 2.89 | 3.15 | 2.88 | 2.75 | 2.60 |
| Loss provisions[7] | .11 | .16 | .31 | .26 | .38 | .59 | .73 | .35 | .16 | .20 |
| Non-interest income | 2.34 | 2.12 | 2.15 | 2.55 | 2.54 | 2.26 | 2.32 | 2.31 | 2.21 | 2.37 |
| Service charges on deposits | .28 | .32 | .33 | .37 | .40 | .44 | .48 | .46 | .45 | .42 |
| Fiduciary activities | .31 | .34 | .32 | .31 | .27 | .29 | .25 | .26 | .24 | .27 |
| Trading revenue | .52 | .43 | .33 | .46 | .48 | .43 | .32 | .30 | .22 | .31 |
| Interest rate exposures | .30 | .23 | .10 | .17 | .20 | .20 | .15 | .12 | .06 | .11 |
| Foreign exchange rate exposures | .17 | .20 | .20 | .19 | .18 | .14 | .14 | .14 | .12 | .12 |
| Other commodity and equity exposures | .05 | * | .03 | .09 | .11 | .08 | .03 | .04 | .04 | .07 |
| Other | 1.23 | 1.04 | 1.17 | 1.41 | 1.39 | 1.10 | 1.26 | 1.29 | 1.30 | 1.38 |
| Non-interest expense | 3.57 | 3.24 | 3.47 | 3.45 | 3.31 | 3.13 | 3.16 | 3.02 | 3.11 | 2.99 |
| Salaries, wages, and employee benefits | 1.57 | 1.45 | 1.45 | 1.57 | 1.46 | 1.38 | 1.41 | 1.39 | 1.34 | 1.38 |
| Occupancy | .50 | .47 | .47 | .50 | .47 | .45 | .46 | .45 | .43 | .43 |
| Other | 1.50 | 1.33 | 1.54 | 1.38 | 1.39 | 1.30 | 1.28 | 1.18 | 1.33 | 1.19 |
| Net non-interest expense | 1.23 | 1.12 | 1.32 | .90 | .77 | .87 | .84 | .71 | .90 | .62 |
| Gains on investment account securities | .04 | .08 | .11 | .03 | −.03 | .08 | .13 | .11 | .08 | * |
| Income before taxes and extraordinary items | 1.44 | 1.56 | 1.22 | 1.71 | 1.60 | 1.48 | 1.69 | 1.91 | 1.74 | 1.75 |
| Taxes | .52 | .58 | .44 | .66 | .60 | .49 | .57 | .62 | .56 | .57 |
| Extraordinary items, net of income taxes | * | * | * | * | * | −.01 | * | * | * | * |
| Net income | .92 | .98 | .78 | 1.05 | 1.00 | .99 | 1.12 | 1.29 | 1.18 | 1.18 |
| Cash dividends declared | .70 | .82 | .53 | .79 | .86 | .66 | 1.05 | .99 | .65 | .59 |
| Retained income | .21 | .15 | .25 | .26 | .13 | .32 | .07 | .30 | .53 | .59 |
| MEMO: Return on equity | 13.21 | 13.22 | 10.53 | 13.58 | 13.04 | 12.55 | 13.24 | 16.01 | 14.11 | 12.90 |

1. Includes allocated transfer risk reserve.

2. Measured as the sum of large time deposits in domestic offices, deposits booked in foreign offices, subordinated notes and debentures, federal funds purchased and securities sold under repurchase agreements, Federal Home Loan Bank advances, and other borrowed money.

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

4. Other real estate owned is a component of other non-interest-earning assets.

5. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.

6. Before 1997, large time deposit open accounts were included in other time deposits.

7. Includes provisions for allocated transfer risk.

* In absolute value, less than 0.005 percent.

n.a. Not available.

MMDA Money market deposit account.

RP Repurchase agreement.

MBS Mortgage-backed securities.

## A.1. Portfolio composition, interest rates, and income and expense, U.S. banks, 1996–2005

C. Banks ranked 11 through 100 by assets

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet items as a percentage of average net consolidated assets | | | | | | | | | |
| Interest-earning assets | 88.26 | 87.50 | 87.87 | 88.41 | 88.67 | 88.09 | 88.34 | 88.10 | 88.18 | 87.88 |
| Loans and leases, net | 64.24 | 63.89 | 64.38 | 64.23 | 64.88 | 62.14 | 60.00 | 59.48 | 60.63 | 63.37 |
| Commercial and industrial | 18.95 | 19.01 | 18.92 | 19.40 | 18.19 | 15.84 | 13.27 | 11.96 | 11.90 | 12.18 |
| U.S. addressees | 17.71 | 17.78 | 17.59 | 18.18 | 17.64 | 15.36 | 12.94 | 11.66 | 11.64 | 11.91 |
| Foreign addressees | 1.24 | 1.22 | 1.33 | 1.22 | .55 | .48 | .33 | .30 | .26 | .27 |
| Consumer | 15.67 | 15.62 | 14.52 | 13.57 | 13.79 | 13.20 | 12.79 | 12.57 | 12.73 | 12.84 |
| Credit card | 8.26 | 8.50 | 7.67 | 6.78 | 6.97 | 6.97 | 6.56 | 6.35 | 6.90 | 7.44 |
| Installment and other | 7.40 | 7.12 | 6.86 | 6.79 | 6.82 | 6.23 | 6.22 | 6.21 | 5.83 | 5.39 |
| Real estate | 23.26 | 22.99 | 24.59 | 24.80 | 26.21 | 27.29 | 28.94 | 30.67 | 32.16 | 34.89 |
| In domestic offices | 23.10 | 22.85 | 24.42 | 24.62 | 26.12 | 27.21 | 28.88 | 30.54 | 31.97 | 34.73 |
| Construction and land development | 1.55 | 1.69 | 2.03 | 2.43 | 3.00 | 3.31 | 3.36 | 3.22 | 3.51 | 4.21 |
| Farmland | .13 | .14 | .17 | .19 | .22 | .23 | .22 | .20 | .19 | .19 |
| One- to four-family residential | 14.15 | 13.88 | 14.86 | 14.15 | 14.51 | 15.51 | 17.05 | 18.79 | 19.52 | 21.06 |
| Home equity | 2.08 | 2.22 | 2.17 | 2.08 | 2.49 | 2.90 | 3.92 | 4.74 | 5.90 | 6.04 |
| Other | 12.07 | 11.65 | 12.69 | 12.07 | 12.02 | 12.60 | 13.13 | 14.05 | 13.62 | 15.02 |
| Multifamily residential | .89 | .93 | 1.00 | 1.02 | 1.11 | 1.16 | 1.20 | 1.32 | 1.34 | 1.45 |
| Nonfarm nonresidential | 6.37 | 6.21 | 6.36 | 6.82 | 7.28 | 6.99 | 7.05 | 7.00 | 7.41 | 7.82 |
| In foreign offices | .16 | .15 | .18 | .19 | .09 | .09 | .06 | .13 | .20 | .16 |
| To depository institutions and acceptances of other banks | 1.53 | 1.30 | 1.09 | .93 | 1.05 | 1.40 | 1.44 | 1.21 | .54 | .56 |
| Foreign governments | .20 | .09 | .06 | .06 | .03 | .03 | .02 | .02 | .01 | .02 |
| Agricultural production | .28 | .29 | .33 | .33 | .37 | .32 | .27 | .23 | .19 | .19 |
| Other loans | 3.27 | 3.18 | 3.35 | 2.99 | 2.57 | 2.03 | 1.80 | 1.59 | 1.87 | 1.62 |
| Lease-financing receivables | 2.41 | 2.70 | 2.72 | 3.29 | 3.82 | 3.18 | 2.65 | 2.35 | 2.30 | 2.07 |
| Less: Unearned income on loans | –.06 | –.05 | –.04 | –.04 | –.03 | –.02 | –.02 | –.02 | –.02 | –.01 |
| Less: Loss reserves[1] | –1.27 | –1.24 | –1.16 | –1.11 | –1.12 | –1.13 | –1.17 | –1.10 | –1.06 | –.97 |
| Securities | 16.87 | 15.80 | 16.66 | 17.79 | 17.32 | 19.00 | 20.30 | 21.16 | 21.28 | 19.98 |
| Investment account | 16.06 | 15.07 | 16.13 | 17.28 | 16.10 | 17.71 | 19.17 | 20.09 | 20.12 | 18.82 |
| Debt | 15.62 | 14.58 | 15.58 | 16.64 | 15.50 | 17.32 | 18.82 | 19.88 | 19.96 | 18.69 |
| U.S. Treasury | 3.34 | 2.81 | 2.25 | 1.70 | 1.12 | .67 | .74 | .95 | .89 | .60 |
| U.S. government agency and corporation obligations | 9.12 | 8.98 | 9.93 | 10.57 | 9.70 | 10.09 | 11.45 | 12.99 | 12.80 | 11.62 |
| Government-backed mortgage pools | 5.42 | 5.17 | 4.98 | 5.12 | 4.31 | 5.19 | 6.00 | 6.08 | 5.74 | 4.83 |
| Collateralized mortgage obligations | 2.16 | 2.13 | 2.83 | 2.89 | 2.55 | 2.42 | 2.79 | 3.72 | 3.42 | 3.39 |
| Other | 1.54 | 1.68 | 2.12 | 2.56 | 2.84 | 2.48 | 2.65 | 3.19 | 3.64 | 3.40 |
| State and local government | .99 | .88 | .92 | .99 | .96 | .99 | .97 | .95 | .96 | .98 |
| Private mortgage-backed securities | .96 | .73 | .96 | 1.35 | 1.66 | 2.01 | 2.13 | 2.14 | 2.65 | 3.59 |
| Other | 1.21 | 1.18 | 1.53 | 2.02 | 2.06 | 3.56 | 3.53 | 2.85 | 2.66 | 1.90 |
| Equity | .44 | .49 | .55 | .65 | .60 | .39 | .34 | .21 | .16 | .13 |
| Trading account | .80 | .73 | .54 | .51 | 1.22 | 1.29 | 1.13 | 1.07 | 1.16 | 1.16 |
| Gross federal funds sold and reverse RPs | 4.26 | 4.38 | 3.57 | 3.34 | 3.76 | 4.06 | 4.71 | 4.20 | 2.98 | 2.30 |
| Interest-bearing balances at depositories | 2.89 | 3.43 | 3.24 | 3.06 | 2.71 | 2.88 | 3.33 | 3.26 | 3.29 | 2.24 |
| Non-interest-earning assets | 11.74 | 12.50 | 12.13 | 11.59 | 11.33 | 11.91 | 11.66 | 11.90 | 11.82 | 12.12 |
| Revaluation gains held in trading accounts | .51 | .69 | .75 | .56 | .40 | .55 | .47 | .60 | .42 | .33 |
| Other | 11.23 | 11.81 | 11.38 | 11.03 | 10.92 | 11.37 | 11.19 | 11.30 | 11.40 | 11.79 |
| Liabilities | 92.02 | 91.85 | 91.63 | 91.66 | 91.57 | 91.15 | 90.79 | 90.65 | 89.87 | 88.86 |
| Core deposits | 52.96 | 51.51 | 49.89 | 48.35 | 46.28 | 46.28 | 47.07 | 47.93 | 46.55 | 48.24 |
| Transaction deposits | 17.53 | 16.12 | 14.15 | 12.12 | 9.93 | 8.37 | 7.49 | 7.29 | 7.06 | 6.64 |
| Demand deposits | 14.47 | 14.17 | 12.39 | 10.52 | 8.61 | 7.17 | 6.32 | 5.96 | 5.65 | 5.35 |
| Other checkable deposits | 3.06 | 1.95 | 1.75 | 1.60 | 1.32 | 1.20 | 1.17 | 1.33 | 1.41 | 1.29 |
| Savings deposits (including MMDAs) | 21.17 | 21.71 | 22.51 | 23.90 | 24.02 | 26.62 | 30.07 | 32.34 | 31.75 | 33.40 |
| Small time deposits | 14.26 | 13.69 | 13.24 | 12.32 | 12.33 | 11.28 | 9.51 | 8.30 | 7.74 | 8.21 |
| Managed liabilities[2] | 35.60 | 36.60 | 38.11 | 39.83 | 41.98 | 40.81 | 39.48 | 38.12 | 39.29 | 36.98 |
| Large time deposits | 6.54 | 7.37 | 7.83 | 8.17 | 9.54 | 9.72 | 8.99 | 8.20 | 8.76 | 10.04 |
| Deposits booked in foreign offices | 7.73 | 8.08 | 8.37 | 8.19 | 7.56 | 7.05 | 6.28 | 6.54 | 7.21 | 6.02 |
| Subordinated notes and debentures | 1.41 | 1.48 | 1.66 | 1.71 | 1.54 | 1.53 | 1.44 | 1.38 | 1.39 | 1.31 |
| Gross federal funds purchased and RPs | 10.00 | 9.36 | 9.48 | 9.77 | 9.28 | 9.71 | 9.66 | 9.69 | 8.95 | 7.17 |
| Other managed liabilities | 9.92 | 10.31 | 10.77 | 11.99 | 14.07 | 12.79 | 13.11 | 12.30 | 12.97 | 12.44 |
| Revaluation losses held in trading accounts | .49 | .68 | .76 | .58 | .41 | .52 | .44 | .56 | .40 | .33 |
| Other | 2.97 | 3.05 | 2.87 | 2.90 | 2.91 | 3.54 | 3.80 | 4.05 | 3.64 | 3.30 |
| Capital account | 7.98 | 8.15 | 8.37 | 8.34 | 8.43 | 8.85 | 9.21 | 9.35 | 10.13 | 11.14 |
| Memo | | | | | | | | | | |
| Commercial real estate loans[3] | 9.38 | 9.44 | 10.11 | 11.00 | 12.06 | 12.06 | 12.24 | 12.10 | 12.85 | 13.92 |
| Other real estate owned[4] | .08 | .06 | .04 | .03 | .03 | .04 | .05 | .06 | .05 | .04 |
| Mortgage-backed securities | 8.54 | 8.03 | 8.76 | 9.36 | 8.52 | 9.63 | 10.93 | 11.93 | 11.81 | 11.81 |
| Federal Home Loan Bank advances | n.a. | n.a. | n.a. | n.a. | n.a. | 4.07 | 4.85 | 4.75 | 4.65 | 5.19 |
| Average net consolidated assets (billions of dollars) | 1,450 | 1,604 | 1,745 | 1,881 | 2,031 | 2,130 | 2,124 | 2,287 | 2,376 | 2,403 |

## A.1.—Continued

C. Banks ranked 11 through 100 by assets—Continued

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate (percent)[5] | | | | | | | | | |
| *Rates earned* | | | | | | | | | | |
| Interest-earning assets | 8.18 | 8.33 | 8.13 | 7.84 | 8.44 | 7.54 | 6.03 | 5.30 | 5.26 | 6.05 |
| Taxable equivalent | 8.23 | 8.36 | 8.17 | 7.88 | 8.48 | 7.58 | 6.07 | 5.33 | 5.29 | 6.08 |
| Loans and leases, gross | 8.88 | 9.03 | 8.82 | 8.50 | 9.14 | 8.26 | 6.80 | 6.11 | 5.98 | 6.63 |
| Net of loss provisions | 8.21 | 8.27 | 8.15 | 7.80 | 8.25 | 6.96 | 5.59 | 5.11 | 5.19 | 5.90 |
| Securities | 6.49 | 6.55 | 6.31 | 6.32 | 6.64 | 5.96 | 4.79 | 3.80 | 3.63 | 4.18 |
| Taxable equivalent | 6.66 | 6.70 | 6.46 | 6.46 | 6.77 | 6.08 | 4.91 | 3.90 | 3.73 | 4.29 |
| Investment account | 6.49 | 6.57 | 6.33 | 6.34 | 6.66 | 6.04 | 4.86 | 3.87 | 3.64 | 4.11 |
| U.S. Treasury securities and U.S. government agency obligations (excluding MBS) | n.a. | n.a. | n.a. | n.a. | n.a. | 5.83 | 4.28 | 3.17 | 2.94 | 3.47 |
| Mortgage-backed securities | n.a. | n.a. | n.a. | n.a. | n.a. | 6.60 | 5.34 | 4.20 | 4.02 | 4.34 |
| Other | n.a. | n.a. | n.a. | n.a. | n.a. | 5.13 | 4.22 | 3.61 | 3.29 | 4.04 |
| Trading account | 6.53 | 6.05 | 5.86 | 5.58 | 6.25 | 4.83 | 3.59 | 2.56 | 3.39 | 5.30 |
| Gross federal funds sold and reverse RPs | 5.31 | 5.45 | 5.46 | 5.12 | 6.06 | 3.86 | 1.68 | 1.14 | 1.25 | 3.24 |
| Interest-bearing balances at depositories | 5.82 | 5.76 | 5.67 | 4.81 | 5.49 | 4.38 | 2.46 | 1.93 | 2.27 | 3.20 |
| *Rates paid* | | | | | | | | | | |
| Interest-bearing liabilities | 4.70 | 4.79 | 4.77 | 4.38 | 5.22 | 4.16 | 2.41 | 1.80 | 1.71 | 2.68 |
| Interest-bearing deposits | 4.15 | 4.22 | 4.15 | 3.76 | 4.42 | 3.60 | 1.96 | 1.35 | 1.29 | 2.03 |
| In foreign offices | 5.29 | 5.23 | 5.22 | 4.70 | 5.38 | 3.67 | 1.70 | 1.23 | 1.42 | 2.76 |
| In domestic offices | 3.96 | 4.04 | 3.96 | 3.60 | 4.26 | 3.60 | 1.99 | 1.36 | 1.27 | 1.95 |
| Other checkable deposits | 1.78 | 2.01 | 2.41 | 2.03 | 2.57 | 2.32 | .94 | .64 | .72 | 1.28 |
| Savings (including MMDAs) | 2.91 | 2.84 | 2.76 | 2.49 | 2.94 | 2.30 | 1.08 | .66 | .65 | 1.30 |
| Large time deposits[6] | 5.50 | 5.47 | 5.32 | 4.96 | 5.88 | 5.11 | 3.37 | 2.70 | 2.49 | 3.30 |
| Other time deposits[6] | 5.26 | 5.43 | 5.35 | 5.03 | 5.73 | 5.42 | 3.68 | 2.95 | 2.58 | 3.04 |
| Gross federal funds purchased and RPs | 5.19 | 5.29 | 5.22 | 4.87 | 6.02 | 3.86 | 1.73 | 1.20 | 1.37 | 3.04 |
| Other interest-bearing liabilities | 5.95 | 5.85 | 5.81 | 5.41 | 6.36 | 5.30 | 3.54 | 3.02 | 2.76 | 3.87 |
| | Income and expense as a percentage of average net consolidated assets | | | | | | | | | |
| Gross interest income | 7.24 | 7.26 | 7.16 | 6.98 | 7.54 | 6.70 | 5.31 | 4.67 | 4.67 | 5.34 |
| Taxable equivalent | 7.28 | 7.30 | 7.19 | 7.02 | 7.57 | 6.73 | 5.34 | 4.70 | 4.70 | 5.36 |
| Loans | 5.80 | 5.87 | 5.79 | 5.56 | 6.05 | 5.28 | 4.15 | 3.72 | 3.72 | 4.27 |
| Securities | 1.03 | .98 | 1.00 | 1.10 | 1.09 | 1.06 | .90 | .75 | .73 | .77 |
| Gross federal funds sold and reverse RPs | .23 | .22 | .19 | .18 | .22 | .15 | .08 | .04 | .03 | .06 |
| Other | .18 | .19 | .18 | .14 | .18 | .21 | .18 | .15 | .19 | .22 |
| Gross interest expense | 3.39 | 3.41 | 3.45 | 3.26 | 3.96 | 3.14 | 1.77 | 1.30 | 1.26 | 1.94 |
| Deposits | 2.18 | 2.23 | 2.23 | 2.02 | 2.41 | 2.01 | 1.09 | .77 | .74 | 1.18 |
| Gross federal funds purchased and RPs | .55 | .51 | .51 | .51 | .56 | .38 | .17 | .12 | .13 | .23 |
| Other | .66 | .68 | .71 | .74 | .99 | .75 | .51 | .41 | .40 | .53 |
| Net interest income | 3.84 | 3.85 | 3.71 | 3.72 | 3.58 | 3.56 | 3.54 | 3.37 | 3.41 | 3.40 |
| Taxable equivalent | 3.89 | 3.89 | 3.74 | 3.75 | 3.61 | 3.59 | 3.57 | 3.40 | 3.44 | 3.42 |
| Loss provisions[7] | .54 | .60 | .54 | .55 | .68 | .91 | .80 | .67 | .55 | .52 |
| Non-interest income | 2.61 | 2.76 | 3.07 | 3.36 | 3.18 | 3.35 | 3.30 | 3.29 | 3.05 | 2.75 |
| Service charges on deposits | .44 | .44 | .42 | .41 | .42 | .42 | .42 | .42 | .40 | .37 |
| Fiduciary activities | .43 | .44 | .49 | .48 | .52 | .42 | .42 | .37 | .42 | .35 |
| Trading revenue | .08 | .08 | .09 | .08 | .07 | .08 | .08 | .09 | .07 | .06 |
| Interest rate exposures | .03 | .02 | .03 | .02 | .02 | .04 | .04 | .04 | −.01 | −.01 |
| Foreign exchange rate exposures | .04 | .05 | .06 | .05 | .04 | .03 | .04 | .04 | .05 | .04 |
| Other commodity and equity exposures | .01 | * | * | * | * | * | * | .01 | .03 | .02 |
| Other | 1.67 | 1.79 | 2.07 | 2.39 | 2.18 | 2.43 | 2.37 | 2.41 | 2.16 | 1.98 |
| Non-interest expense | 3.85 | 3.85 | 4.03 | 4.12 | 4.00 | 3.95 | 3.73 | 3.64 | 3.55 | 3.36 |
| Salaries, wages, and employee benefits | 1.51 | 1.51 | 1.53 | 1.53 | 1.44 | 1.47 | 1.49 | 1.47 | 1.45 | 1.37 |
| Occupancy | .48 | .46 | .46 | .45 | .43 | .42 | .40 | .41 | .39 | .37 |
| Other | 1.86 | 1.88 | 2.04 | 2.14 | 2.14 | 2.07 | 1.84 | 1.76 | 1.70 | 1.62 |
| Net non-interest expense | 1.24 | 1.10 | .96 | .76 | .82 | .60 | .43 | .35 | .50 | .61 |
| Gains on investment account securities | .02 | .02 | .03 | −.01 | −.05 | .09 | .10 | .06 | .03 | * |
| Income before taxes and extraordinary items | 2.09 | 2.18 | 2.24 | 2.40 | 2.02 | 2.14 | 2.41 | 2.42 | 2.39 | 2.27 |
| Taxes | .75 | .77 | .78 | .86 | .70 | .74 | .82 | .82 | .82 | .77 |
| Extraordinary items, net of income taxes | * | * | * | * | * | * | * | * | * | .01 |
| Net income | 1.34 | 1.42 | 1.45 | 1.54 | 1.32 | 1.39 | 1.59 | 1.59 | 1.57 | 1.50 |
| Cash dividends declared | 1.07 | .93 | .96 | 1.16 | .94 | .96 | .99 | 1.05 | .95 | 1.00 |
| Retained income | .26 | .48 | .50 | .38 | .38 | .43 | .60 | .54 | .62 | .50 |
| MEMO: Return on equity | 16.78 | 17.36 | 17.38 | 18.46 | 15.72 | 15.74 | 17.24 | 17.03 | 15.54 | 13.48 |

1. Includes allocated transfer risk reserve.

2. Measured as the sum of large time deposits in domestic offices, deposits booked in foreign offices, subordinated notes and debentures, federal funds purchased and securities sold under repurchase agreements, Federal Home Loan Bank advances, and other borrowed money.

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

4. Other real estate owned is a component of other non-interest-earning assets.

5. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.

6. Before 1997, large time deposit open accounts were included in other time deposits.

7. Includes provisions for allocated transfer risk.

* In absolute value, less than 0.005 percent.

n.a. Not available.

MMDA Money market deposit account.

RP Repurchase agreement.

MBS Mortgage-backed securities.

## A.1. Portfolio composition, interest rates, and income and expense, U.S. banks, 1996–2005

D. Banks ranked 101 through 1,000 by assets

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet items as a percentage of average net consolidated assets | | | | | | | | | |
| Interest-earning assets | 91.11 | 91.34 | 91.38 | 91.68 | 91.50 | 91.16 | 91.36 | 91.34 | 91.56 | 91.32 |
| Loans and leases, net | 62.72 | 62.34 | 61.23 | 61.48 | 62.15 | 62.46 | 61.46 | 61.32 | 63.33 | 65.15 |
| Commercial and industrial | 12.76 | 12.38 | 12.45 | 12.64 | 12.95 | 13.03 | 12.38 | 11.51 | 11.52 | 11.78 |
| U.S. addressees | 12.58 | 12.14 | 12.12 | 12.32 | 12.60 | 12.65 | 12.06 | 11.20 | 11.21 | 11.48 |
| Foreign addressees | .18 | .23 | .32 | .32 | .36 | .38 | .31 | .31 | .31 | .30 |
| Consumer | 16.11 | 14.36 | 12.56 | 10.79 | 10.19 | 9.76 | 8.13 | 6.79 | 6.33 | 5.42 |
| Credit card | 6.92 | 5.87 | 4.78 | 3.37 | 3.27 | 3.61 | 2.63 | 1.82 | 1.91 | 1.24 |
| Installment and other | 9.19 | 8.49 | 7.78 | 7.41 | 6.92 | 6.15 | 5.50 | 4.97 | 4.42 | 4.18 |
| Real estate | 31.28 | 33.10 | 33.83 | 35.90 | 36.93 | 37.64 | 38.92 | 40.96 | 43.38 | 45.86 |
| In domestic offices | 31.26 | 33.08 | 33.81 | 35.87 | 36.91 | 37.62 | 38.89 | 40.91 | 43.32 | 45.78 |
| Construction and land development | 2.38 | 2.68 | 2.87 | 3.48 | 4.15 | 4.90 | 5.40 | 5.89 | 6.98 | 8.81 |
| Farmland | .46 | .52 | .56 | .58 | .65 | .66 | .73 | .80 | .91 | .99 |
| One- to four-family residential | 17.29 | 18.08 | 18.14 | 18.26 | 17.17 | 16.18 | 15.39 | 15.71 | 15.36 | 15.22 |
| Home equity | 2.30 | 2.29 | 2.14 | 1.99 | 2.10 | 2.21 | 2.51 | 2.92 | 3.46 | 3.61 |
| Other | 14.99 | 15.78 | 16.00 | 16.26 | 15.06 | 13.97 | 12.88 | 12.79 | 11.90 | 11.61 |
| Multifamily residential | 1.28 | 1.28 | 1.25 | 1.44 | 1.58 | 1.69 | 1.83 | 2.00 | 2.24 | 2.37 |
| Nonfarm nonresidential | 9.85 | 10.52 | 10.99 | 12.12 | 13.36 | 14.18 | 15.55 | 16.51 | 17.82 | 18.40 |
| In foreign offices | .02 | .02 | .02 | .02 | .02 | .02 | .03 | .05 | .06 | .08 |
| To depository institutions and acceptances of other banks | .50 | .59 | .52 | .46 | .37 | .38 | .37 | .37 | .25 | .13 |
| Foreign governments | .02 | .02 | .03 | .03 | .03 | .03 | .02 | .02 | .01 | * |
| Agricultural production | .70 | .73 | .80 | .78 | .82 | .85 | .86 | .83 | .82 | .81 |
| Other loans | 1.67 | 1.47 | 1.30 | 1.25 | 1.22 | 1.22 | 1.18 | 1.25 | 1.32 | 1.36 |
| Lease-financing receivables | 1.00 | .99 | .99 | .78 | .75 | .74 | .75 | .67 | .75 | .75 |
| LESS: Unearned income on loans | –.10 | –.10 | –.09 | –.08 | –.08 | –.07 | –.06 | –.06 | –.06 | –.06 |
| LESS: Loss reserves[1] | –1.23 | –1.19 | –1.15 | –1.06 | –1.04 | –1.12 | –1.10 | –1.02 | –.98 | –.90 |
| Securities | 22.61 | 23.37 | 24.18 | 25.17 | 24.34 | 22.81 | 23.86 | 24.36 | 23.59 | 21.58 |
| Investment account | 22.49 | 23.26 | 24.08 | 25.09 | 24.25 | 22.70 | 23.80 | 24.23 | 23.54 | 21.50 |
| Debt | 21.97 | 22.65 | 23.39 | 24.33 | 23.46 | 22.28 | 23.30 | 23.79 | 23.18 | 21.21 |
| U.S. Treasury | 5.59 | 4.94 | 3.91 | 2.53 | 1.81 | 1.32 | 1.22 | 1.00 | 1.02 | .83 |
| U.S. government agency and corporation obligations | 12.62 | 13.91 | 15.08 | 16.29 | 15.56 | 14.70 | 15.85 | 16.96 | 16.70 | 15.05 |
| Government-backed mortgage pools | 5.67 | 6.20 | 6.45 | 6.72 | 6.22 | 6.27 | 6.55 | 7.03 | 6.80 | 5.73 |
| Collateralized mortgage obligations | 3.11 | 3.00 | 3.21 | 3.52 | 3.04 | 3.08 | 3.69 | 3.69 | 3.41 | 3.16 |
| Other | 3.84 | 4.71 | 5.42 | 6.05 | 6.30 | 5.35 | 5.60 | 6.24 | 6.49 | 6.16 |
| State and local government | 2.23 | 2.43 | 2.69 | 2.91 | 2.91 | 2.90 | 2.89 | 2.95 | 2.92 | 2.78 |
| Private mortgage-backed securities | .76 | .59 | .65 | 1.00 | .99 | .94 | .99 | .87 | 1.08 | 1.17 |
| Other | .76 | .78 | 1.06 | 1.60 | 2.19 | 2.42 | 2.34 | 2.01 | 1.46 | 1.37 |
| Equity | .52 | .61 | .69 | .77 | .79 | .43 | .50 | .43 | .36 | .29 |
| Trading account | .12 | .10 | .11 | .08 | .09 | .11 | .06 | .14 | .05 | .08 |
| Gross federal funds sold and reverse RPs | 3.86 | 3.59 | 4.16 | 3.35 | 3.40 | 4.20 | 4.15 | 3.85 | 2.95 | 2.83 |
| Interest-bearing balances at depositories | 1.93 | 2.05 | 1.80 | 1.68 | 1.60 | 1.68 | 1.89 | 1.81 | 1.69 | 1.76 |
| Non-interest-earning assets | 8.89 | 8.66 | 8.62 | 8.32 | 8.50 | 8.84 | 8.64 | 8.66 | 8.44 | 8.68 |
| Revaluation gains held in trading accounts | .02 | * | * | .01 | .02 | .01 | .01 | * | * | * |
| Other | 8.86 | 8.66 | 8.62 | 8.31 | 8.49 | 8.84 | 8.64 | 8.66 | 8.44 | 8.68 |
| Liabilities | 91.06 | 90.78 | 90.55 | 90.90 | 90.95 | 90.32 | 89.93 | 89.69 | 89.18 | 89.10 |
| Core deposits | 64.28 | 64.06 | 63.87 | 62.48 | 60.80 | 60.33 | 61.26 | 61.31 | 60.40 | 59.08 |
| Transaction deposits | 19.99 | 18.05 | 16.08 | 13.94 | 12.29 | 11.48 | 11.37 | 11.50 | 11.77 | 11.16 |
| Demand deposits | 13.80 | 13.11 | 11.87 | 10.19 | 8.97 | 8.23 | 8.05 | 7.96 | 8.13 | 7.88 |
| Other checkable deposits | 6.19 | 4.94 | 4.22 | 3.75 | 3.32 | 3.25 | 3.32 | 3.54 | 3.64 | 3.28 |
| Savings deposits (including MMDAs) | 22.69 | 23.97 | 26.43 | 28.55 | 28.55 | 29.40 | 32.34 | 34.00 | 34.42 | 33.74 |
| Small time deposits | 21.60 | 22.05 | 21.36 | 19.99 | 19.96 | 19.46 | 17.55 | 15.81 | 14.20 | 14.17 |
| Managed liabilities[2] | 24.96 | 24.89 | 24.65 | 26.33 | 28.01 | 27.75 | 26.57 | 26.40 | 26.98 | 28.34 |
| Large time deposits | 8.34 | 9.68 | 10.09 | 10.30 | 11.98 | 12.60 | 12.17 | 11.92 | 12.12 | 13.60 |
| Deposits booked in foreign offices | 1.34 | 1.23 | 1.31 | 1.20 | 1.28 | 1.24 | .88 | .64 | .65 | .57 |
| Subordinated notes and debentures | .36 | .33 | .37 | .35 | .30 | .31 | .34 | .35 | .35 | .27 |
| Gross federal funds purchased and RPs | 8.17 | 7.06 | 6.15 | 6.90 | 6.30 | 5.77 | 5.27 | 5.35 | 5.52 | 5.54 |
| Other managed liabilities | 6.74 | 6.59 | 6.73 | 7.57 | 8.15 | 7.84 | 7.90 | 8.13 | 8.34 | 8.35 |
| Revaluation losses held in trading accounts | .02 | .01 | .01 | .01 | * | .01 | .01 | * | * | * |
| Other | 1.79 | 1.82 | 2.02 | 2.10 | 2.13 | 2.23 | 2.08 | 1.98 | 1.81 | 1.69 |
| Capital account | 8.94 | 9.22 | 9.45 | 9.10 | 9.05 | 9.68 | 10.07 | 10.31 | 10.82 | 10.90 |
| MEMO | | | | | | | | | | |
| Commercial real estate loans[3] | 13.80 | 14.72 | 15.33 | 17.28 | 19.32 | 21.03 | 23.05 | 24.62 | 27.25 | 29.79 |
| Other real estate owned[4] | .13 | .11 | .09 | .08 | .07 | .08 | .10 | .11 | .10 | .08 |
| Mortgage-backed securities | 9.55 | 9.79 | 10.30 | 11.24 | 10.25 | 10.29 | 11.24 | 11.59 | 11.29 | 10.06 |
| Federal Home Loan Bank advances | n.a. | n.a. | n.a. | n.a. | n.a. | 5.27 | 5.71 | 6.29 | 6.46 | 6.42 |
| Average net consolidated assets (billions of dollars) | 1,078 | 971 | 938 | 972 | 986 | 1,002 | 1,022 | 1,072 | 1,080 | 1,152 |

## A.1.—Continued

D. Banks ranked 101 through 1,000 by assets—Continued

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate (percent)[5] | | | | | | | | | |
| *Rates earned* | | | | | | | | | | |
| Interest-earning assets | 8.44 | 8.54 | 8.38 | 7.83 | 8.48 | 7.86 | 6.43 | 5.60 | 5.46 | 6.12 |
| Taxable equivalent | 8.52 | 8.63 | 8.47 | 7.92 | 8.56 | 7.94 | 6.51 | 5.68 | 5.53 | 6.19 |
| Loans and leases, gross | 9.41 | 9.53 | 9.42 | 8.74 | 9.42 | 8.76 | 7.32 | 6.57 | 6.25 | 6.90 |
| Net of loss provisions | 8.77 | 8.79 | 8.79 | 8.26 | 8.75 | 7.88 | 6.56 | 6.02 | 5.87 | 6.64 |
| Securities | 6.34 | 6.43 | 6.31 | 6.03 | 6.45 | 5.97 | 4.95 | 3.81 | 3.79 | 4.03 |
| Taxable equivalent | 6.60 | 6.69 | 6.57 | 6.29 | 6.71 | 6.25 | 5.21 | 4.06 | 4.04 | 4.28 |
| Investment account | 6.34 | 6.43 | 6.30 | 6.03 | 6.45 | 5.96 | 4.93 | 3.82 | 3.78 | 4.02 |
| U.S. Treasury securities and U.S. government agency obligations (excluding MBS) | n.a. | n.a. | n.a. | n.a. | n.a. | 5.85 | 4.54 | 3.42 | 3.15 | 3.47 |
| Mortgage-backed securities | n.a. | n.a. | n.a. | n.a. | n.a. | 6.33 | 5.38 | 3.95 | 4.01 | 4.23 |
| Other | n.a. | n.a. | n.a. | n.a. | n.a. | 5.40 | 4.51 | 4.07 | 4.21 | 4.42 |
| Trading account | 5.94 | 6.37 | 6.84 | 7.33 | 9.30 | 6.60 | 14.05 | 3.07 | 10.30 | 5.82 |
| Gross federal funds sold and reverse RPs | 5.29 | 5.42 | 5.31 | 4.98 | 6.15 | 3.91 | 1.73 | 1.27 | 1.57 | 3.31 |
| Interest-bearing balances at depositories | 5.69 | 5.44 | 5.77 | 5.07 | 5.76 | 3.94 | 1.79 | 1.26 | 1.47 | 3.29 |
| *Rates paid* | | | | | | | | | | |
| Interest-bearing liabilities | 4.58 | 4.67 | 4.60 | 4.19 | 4.93 | 4.11 | 2.54 | 1.88 | 1.73 | 2.48 |
| Interest-bearing deposits | 4.27 | 4.34 | 4.28 | 3.84 | 4.46 | 3.82 | 2.28 | 1.61 | 1.44 | 2.09 |
| In foreign offices | 5.72 | 5.42 | 5.55 | 5.07 | 6.13 | 4.45 | 2.14 | 1.43 | 1.43 | 3.05 |
| In domestic offices | 4.23 | 4.32 | 4.25 | 3.82 | 4.43 | 3.81 | 2.28 | 1.61 | 1.44 | 2.08 |
| Other checkable deposits | 1.96 | 2.17 | 2.15 | 1.99 | 2.27 | 1.81 | 1.06 | .74 | .72 | 1.18 |
| Savings (including MMDAs) | 3.11 | 3.08 | 2.96 | 2.65 | 3.07 | 2.22 | 1.17 | .76 | .74 | 1.27 |
| Large time deposits[6] | 5.48 | 5.56 | 5.51 | 5.17 | 6.00 | 5.27 | 3.34 | 2.58 | 2.33 | 3.21 |
| Other time deposits[6] | 5.57 | 5.57 | 5.64 | 5.11 | 5.74 | 5.51 | 3.77 | 2.86 | 2.51 | 3.10 |
| Gross federal funds purchased and RPs | 5.16 | 5.20 | 5.14 | 4.82 | 5.95 | 3.83 | 1.83 | 1.29 | 1.45 | 2.94 |
| Other interest-bearing liabilities | 5.90 | 6.08 | 5.99 | 5.36 | 6.45 | 5.41 | 4.17 | 3.60 | 3.37 | 4.00 |
| | Income and expense as a percentage of average net consolidated assets | | | | | | | | | |
| Gross interest income | 7.70 | 7.79 | 7.66 | 7.19 | 7.79 | 7.16 | 5.85 | 5.08 | 4.99 | 5.57 |
| Taxable equivalent | 7.78 | 7.87 | 7.74 | 7.27 | 7.86 | 7.24 | 5.93 | 5.16 | 5.06 | 5.64 |
| Loans | 6.01 | 6.05 | 5.89 | 5.47 | 5.96 | 5.59 | 4.57 | 4.08 | 4.01 | 4.55 |
| Securities | 1.42 | 1.49 | 1.50 | 1.51 | 1.58 | 1.33 | 1.15 | .91 | .88 | .86 |
| Gross federal funds sold and reverse RPs | .20 | .19 | .22 | .17 | .21 | .16 | .07 | .05 | .05 | .09 |
| Other | .06 | .06 | .06 | .04 | .04 | .08 | .06 | .05 | .05 | .07 |
| Gross interest expense | 3.41 | 3.47 | 3.45 | 3.20 | 3.79 | 3.14 | 1.92 | 1.41 | 1.29 | 1.84 |
| Deposits | 2.57 | 2.69 | 2.70 | 2.44 | 2.87 | 2.48 | 1.49 | 1.04 | .92 | 1.34 |
| Gross federal funds purchased and RPs | .43 | .37 | .32 | .34 | .38 | .22 | .09 | .07 | .08 | .16 |
| Other | .42 | .42 | .42 | .42 | .54 | .44 | .34 | .30 | .29 | .34 |
| Net interest income | 4.29 | 4.32 | 4.22 | 3.99 | 4.00 | 4.02 | 3.93 | 3.68 | 3.70 | 3.73 |
| Taxable equivalent | 4.37 | 4.39 | 4.29 | 4.07 | 4.07 | 4.10 | 4.00 | 3.75 | 3.77 | 3.79 |
| Loss provisions[7] | .52 | .58 | .49 | .39 | .52 | .65 | .55 | .40 | .30 | .24 |
| Non-interest income | 1.88 | 2.07 | 2.26 | 2.31 | 2.35 | 2.37 | 2.37 | 2.31 | 2.26 | 2.02 |
| Service charges on deposits | .41 | .40 | .39 | .38 | .36 | .39 | .41 | .41 | .39 | .36 |
| Fiduciary activities | .29 | .32 | .37 | .38 | .44 | .40 | .35 | .34 | .37 | .35 |
| Trading revenue | .02 | .01 | .02 | .02 | .01 | * | * | .01 | .01 | .01 |
| Interest rate exposures | .01 | .01 | .01 | .01 | .01 | –.01 | * | .01 | .01 | .01 |
| Foreign exchange rate exposures | .01 | * | * | * | * | * | * | * | * | * |
| Other commodity and equity exposures | * | * | * | * | * | * | * | * | * | * |
| Other | 1.16 | 1.34 | 1.49 | 1.53 | 1.55 | 1.58 | 1.61 | 1.55 | 1.49 | 1.30 |
| Non-interest expense | 3.69 | 3.73 | 3.86 | 3.70 | 3.84 | 3.88 | 3.73 | 3.60 | 3.54 | 3.37 |
| Salaries, wages, and employee benefits | 1.44 | 1.50 | 1.56 | 1.56 | 1.59 | 1.61 | 1.64 | 1.64 | 1.64 | 1.61 |
| Occupancy | .45 | .46 | .47 | .47 | .47 | .46 | .45 | .43 | .43 | .41 |
| Other | 1.80 | 1.77 | 1.83 | 1.68 | 1.78 | 1.81 | 1.64 | 1.53 | 1.47 | 1.35 |
| Net non-interest expense | 1.81 | 1.66 | 1.60 | 1.39 | 1.48 | 1.52 | 1.36 | 1.29 | 1.28 | 1.35 |
| Gains on investment account securities | .02 | .02 | .04 | –.01 | –.04 | .05 | .04 | .05 | .02 | –.01 |
| Income before taxes and extraordinary items | 1.98 | 2.10 | 2.16 | 2.20 | 1.96 | 1.90 | 2.06 | 2.03 | 2.14 | 2.13 |
| Taxes | .69 | .73 | .74 | .74 | .67 | .66 | .67 | .66 | .68 | .68 |
| Extraordinary items, net of income taxes | * | * | .06 | .01 | * | .01 | * | .03 | * | * |
| Net income | 1.29 | 1.37 | 1.47 | 1.47 | 1.29 | 1.25 | 1.38 | 1.40 | 1.45 | 1.45 |
| Cash dividends declared | 1.04 | 1.10 | 1.01 | 1.06 | .92 | 1.33 | 1.19 | 1.64 | .78 | .87 |
| Retained income | .25 | .28 | .46 | .40 | .37 | –.08 | .19 | –.25 | .67 | .58 |
| MEMO: Return on equity | 14.42 | 14.89 | 15.60 | 16.11 | 14.21 | 12.93 | 13.75 | 13.54 | 13.43 | 13.34 |

1. Includes allocated transfer risk reserve.

2. Measured as the sum of large time deposits in domestic offices, deposits booked in foreign offices, subordinated notes and debentures, federal funds purchased and securities sold under repurchase agreements, Federal Home Loan Bank advances, and other borrowed money.

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

4. Other real estate owned is a component of other non-interest-earning assets.

5. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.

6. Before 1997, large time deposit open accounts were included in other time deposits.

7. Includes provisions for allocated transfer risk.

* In absolute value, less than 0.005 percent.

n.a. Not available.

MMDA Money market deposit account.

RP Repurchase agreement.

MBS Mortgage-backed securities.

## A.1. Portfolio composition, interest rates, and income and expense, U.S. banks, 1996–2005

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

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet items as a percentage of average net consolidated assets | | | | | | | | | |
| Interest-earning assets | 92.45 | 92.45 | 92.64 | 92.55 | 92.52 | 92.26 | 92.22 | 92.14 | 92.34 | 92.31 |
| Loans and leases, net | 57.38 | 58.76 | 59.11 | 59.76 | 62.31 | 62.67 | 62.72 | 62.32 | 63.81 | 65.45 |
| Commercial and industrial | 9.98 | 10.16 | 10.33 | 10.64 | 11.09 | 11.10 | 10.71 | 10.42 | 10.29 | 10.21 |
| U.S. addressees | 9.91 | 10.08 | 10.25 | 10.55 | 11.02 | 11.02 | 10.64 | 10.37 | 10.25 | 10.15 |
| Foreign addressees | .07 | .08 | .08 | .08 | .07 | .08 | .06 | .05 | .04 | .06 |
| Consumer | 9.42 | 8.98 | 8.46 | 8.16 | 7.98 | 7.42 | 6.77 | 6.16 | 5.45 | 4.97 |
| Credit card | 1.04 | .85 | .70 | .69 | .59 | .57 | .49 | .51 | .40 | .36 |
| Installment and other | 8.39 | 8.14 | 7.76 | 7.47 | 7.39 | 6.85 | 6.28 | 5.64 | 5.05 | 4.61 |
| Real estate | 34.10 | 35.55 | 36.04 | 36.84 | 39.29 | 40.30 | 41.52 | 42.31 | 44.76 | 46.99 |
| In domestic offices | 34.10 | 35.55 | 36.04 | 36.83 | 39.29 | 40.30 | 41.52 | 42.31 | 44.76 | 46.99 |
| Construction and land development | 2.61 | 2.82 | 3.02 | 3.28 | 3.70 | 4.23 | 4.51 | 4.99 | 6.01 | 7.46 |
| Farmland | 2.55 | 2.69 | 2.83 | 2.95 | 3.06 | 3.04 | 3.08 | 3.12 | 3.22 | 3.25 |
| One- to four-family residential | 17.47 | 18.16 | 18.04 | 17.66 | 18.43 | 18.24 | 17.91 | 17.09 | 17.20 | 17.15 |
| Home equity | 1.20 | 1.24 | 1.21 | 1.17 | 1.28 | 1.37 | 1.62 | 1.80 | 2.12 | 2.20 |
| Other | 16.28 | 16.92 | 16.83 | 16.49 | 17.15 | 16.87 | 16.29 | 15.30 | 15.08 | 14.95 |
| Multifamily residential | .92 | .95 | .93 | .98 | 1.04 | 1.06 | 1.16 | 1.28 | 1.41 | 1.48 |
| Nonfarm nonresidential | 10.54 | 10.93 | 11.22 | 11.96 | 13.06 | 13.71 | 14.86 | 15.82 | 16.93 | 17.65 |
| In foreign offices | * | * | * | * | * | * | * | * | * | * |
| To depository institutions and acceptances of other banks | .21 | .20 | .14 | .14 | .12 | .12 | .10 | .09 | .07 | .05 |
| Foreign governments | * | * | * | .01 | .01 | * | * | * | * | * |
| Agricultural production | 3.92 | 4.05 | 4.27 | 4.06 | 3.85 | 3.76 | 3.64 | 3.39 | 3.25 | 3.21 |
| Other loans | .69 | .67 | .67 | .67 | .69 | .67 | .65 | .66 | .68 | .70 |
| Lease-financing receivables | .23 | .25 | .24 | .26 | .27 | .27 | .31 | .26 | .25 | .24 |
| LESS: Unearned income on loans | –.27 | –.24 | –.20 | –.15 | –.11 | –.09 | –.07 | –.06 | –.06 | –.05 |
| LESS: Loss reserves [1] | –.90 | –.87 | –.86 | –.87 | –.88 | –.88 | –.90 | –.92 | –.89 | –.87 |
| Securities | 29.53 | 28.24 | 26.70 | 26.91 | 25.40 | 22.80 | 23.34 | 23.46 | 23.33 | 21.91 |
| Investment account | 29.50 | 28.21 | 26.66 | 26.88 | 25.38 | 22.79 | 23.33 | 23.43 | 23.33 | 21.90 |
| Debt | 29.01 | 27.69 | 26.12 | 26.34 | 24.82 | 22.49 | 23.05 | 23.12 | 23.06 | 21.70 |
| U.S. Treasury | 7.85 | 6.70 | 5.05 | 3.34 | 2.12 | 1.33 | 1.04 | .90 | .81 | .71 |
| U.S. government agency and corporation obligations | 15.67 | 15.58 | 15.43 | 16.89 | 16.95 | 15.27 | 16.07 | 16.22 | 16.57 | 15.63 |
| Government-backed mortgage pools | 4.21 | 4.01 | 3.90 | 3.95 | 3.47 | 3.78 | 4.54 | 4.84 | 4.75 | 4.23 |
| Collateralized mortgage obligations | 2.46 | 2.19 | 2.02 | 2.00 | 1.70 | 1.94 | 2.30 | 2.20 | 1.96 | 1.70 |
| Other | 9.00 | 9.38 | 9.51 | 10.93 | 11.78 | 9.56 | 9.23 | 9.19 | 9.85 | 9.70 |
| State and local government | 4.62 | 4.60 | 4.80 | 4.96 | 4.64 | 4.51 | 4.56 | 4.73 | 4.67 | 4.49 |
| Private mortgage-backed securities | .18 | .20 | .16 | .26 | .23 | .27 | .26 | .21 | .19 | .22 |
| Other | .68 | .61 | .68 | .89 | .88 | 1.11 | 1.12 | 1.05 | .83 | .65 |
| Equity | .49 | .52 | .54 | .53 | .56 | .30 | .27 | .31 | .26 | .20 |
| Trading account | .03 | .03 | .04 | .03 | .02 | .01 | .01 | .04 | .01 | .02 |
| Gross federal funds sold and reverse RPs | 4.04 | 3.95 | 5.12 | 4.17 | 3.22 | 5.01 | 4.26 | 4.26 | 3.33 | 3.24 |
| Interest-bearing balances at depositories | 1.51 | 1.49 | 1.72 | 1.71 | 1.59 | 1.78 | 1.90 | 2.08 | 1.86 | 1.70 |
| Non-interest-earning assets | 7.55 | 7.55 | 7.36 | 7.45 | 7.48 | 7.74 | 7.78 | 7.86 | 7.66 | 7.69 |
| Revaluation gains held in trading accounts | * | * | * | * | * | * | * | * | * | * |
| Other | 7.55 | 7.55 | 7.36 | 7.45 | 7.48 | 7.74 | 7.78 | 7.86 | 7.66 | 7.69 |
| Liabilities | 89.82 | 89.63 | 89.54 | 89.75 | 89.88 | 89.59 | 89.73 | 89.58 | 89.55 | 89.48 |
| Core deposits | 75.76 | 74.58 | 73.75 | 72.74 | 70.87 | 69.92 | 70.04 | 69.96 | 69.24 | 67.68 |
| Transaction deposits | 24.88 | 24.48 | 24.26 | 23.87 | 23.20 | 22.35 | 22.66 | 23.18 | 23.36 | 22.71 |
| Demand deposits | 13.13 | 13.09 | 13.08 | 12.80 | 12.64 | 12.16 | 12.24 | 12.58 | 12.77 | 12.76 |
| Other checkable deposits | 11.75 | 11.39 | 11.18 | 11.07 | 10.57 | 10.19 | 10.42 | 10.60 | 10.59 | 9.95 |
| Savings deposits (including MMDAs) | 19.60 | 19.00 | 19.05 | 19.77 | 19.19 | 19.38 | 21.32 | 22.43 | 23.24 | 22.98 |
| Small time deposits | 31.29 | 31.10 | 30.43 | 29.11 | 28.48 | 28.19 | 26.05 | 24.36 | 22.64 | 21.99 |
| Managed liabilities [2] | 12.99 | 14.02 | 14.76 | 16.09 | 18.08 | 18.67 | 18.79 | 18.78 | 19.57 | 21.04 |
| Large time deposits | 9.77 | 10.51 | 11.11 | 11.52 | 12.51 | 13.55 | 13.21 | 13.07 | 13.15 | 14.53 |
| Deposits booked in foreign offices | .11 | .10 | .07 | .08 | .05 | .06 | .07 | .06 | .07 | .06 |
| Subordinated notes and debentures | .02 | .01 | .01 | .01 | .02 | .02 | .04 | .03 | .04 | .03 |
| Gross federal funds purchased and RPs | 1.71 | 1.67 | 1.49 | 1.79 | 2.06 | 1.55 | 1.51 | 1.52 | 1.76 | 1.74 |
| Other managed liabilities | 1.39 | 1.73 | 2.08 | 2.69 | 3.44 | 3.49 | 3.96 | 4.09 | 4.55 | 4.69 |
| Revaluation losses held in trading accounts | * | * | * | * | * | * | * | * | * | * |
| Other | 1.06 | 1.02 | 1.03 | .92 | .93 | 1.00 | .90 | .84 | .74 | .77 |
| Capital account | 10.18 | 10.37 | 10.46 | 10.25 | 10.12 | 10.41 | 10.27 | 10.42 | 10.45 | 10.52 |
| MEMO | | | | | | | | | | |
| Commercial real estate loans [3] | 14.18 | 14.80 | 15.27 | 16.33 | 17.91 | 19.15 | 20.67 | 22.23 | 24.50 | 26.76 |
| Other real estate owned [4] | .20 | .16 | .13 | .11 | .11 | .12 | .14 | .15 | .14 | .13 |
| Mortgage-backed securities | 6.85 | 6.39 | 6.07 | 6.22 | 5.39 | 5.99 | 7.10 | 7.24 | 6.90 | 6.15 |
| Federal Home Loan Bank advances | n.a. | n.a. | n.a. | n.a. | n.a. | 3.34 | 3.71 | 3.87 | 4.33 | 4.47 |
| Average net consolidated assets (billions of dollars) | 661 | 647 | 644 | 651 | 655 | 675 | 704 | 742 | 769 | 805 |

## A.1.—Continued

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

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate (percent)[5] | | | | | | | | | |
| *Rates earned* | | | | | | | | | | |
| Interest-earning assets | 8.37 | 8.50 | 8.35 | 8.05 | 8.44 | 7.94 | 6.79 | 5.94 | 5.73 | 6.23 |
| Taxable equivalent | 8.50 | 8.63 | 8.48 | 8.18 | 8.56 | 8.05 | 6.91 | 6.05 | 5.84 | 6.33 |
| Loans and leases, gross | 9.75 | 9.80 | 9.69 | 9.28 | 9.51 | 9.03 | 7.83 | 7.08 | 6.72 | 7.18 |
| Net of loss provisions | 9.47 | 9.49 | 9.34 | 8.89 | 9.14 | 8.59 | 7.39 | 6.72 | 6.45 | 6.95 |
| Securities | 6.14 | 6.26 | 6.04 | 5.88 | 6.15 | 5.86 | 5.03 | 3.87 | 3.74 | 3.87 |
| Taxable equivalent | 6.52 | 6.65 | 6.46 | 6.29 | 6.54 | 6.28 | 5.43 | 4.26 | 4.11 | 4.24 |
| Investment account | 6.14 | 6.26 | 6.04 | 5.89 | 6.15 | 5.86 | 5.02 | 3.87 | 3.73 | 3.87 |
| U.S. Treasury securities and U.S. government agency obligations (excluding MBS) | n.a. | n.a. | n.a. | n.a. | n.a. | 5.97 | 4.80 | 3.74 | 3.39 | 3.53 |
| Mortgage-backed securities | n.a. | n.a. | n.a. | n.a. | n.a. | 6.20 | 5.47 | 3.58 | 3.90 | 4.18 |
| Other | n.a. | n.a. | n.a. | n.a. | n.a. | 5.29 | 4.87 | 4.43 | 4.18 | 4.16 |
| Trading account | 6.47 | 6.33 | 5.26 | 3.60 | 4.01 | 6.43 | 15.38 | 2.89 | 18.95 | 7.52 |
| Gross federal funds sold and reverse RPs | 5.34 | 5.51 | 5.36 | 4.96 | 6.25 | 3.83 | 1.63 | 1.08 | 1.32 | 3.21 |
| Interest-bearing balances at depositories | 5.63 | 5.62 | 5.67 | 5.69 | 6.38 | 4.56 | 2.68 | 1.96 | 2.03 | 3.21 |
| *Rates paid* | | | | | | | | | | |
| Interest-bearing liabilities | 4.49 | 4.61 | 4.60 | 4.28 | 4.80 | 4.40 | 2.92 | 2.13 | 1.87 | 2.43 |
| Interest-bearing deposits | 4.44 | 4.54 | 4.53 | 4.22 | 4.67 | 4.32 | 2.78 | 2.02 | 1.75 | 2.29 |
| In foreign offices | 5.34 | 4.77 | 5.08 | 4.34 | 5.13 | 3.97 | 1.67 | .85 | 1.04 | 2.86 |
| In domestic offices | 4.44 | 4.53 | 4.53 | 4.22 | 4.67 | 4.32 | 2.79 | 2.02 | 1.75 | 2.29 |
| Other checkable deposits | 2.41 | 2.46 | 2.44 | 2.28 | 2.47 | 1.97 | 1.16 | .78 | .69 | .99 |
| Savings (including MMDAs) | 3.26 | 3.36 | 3.39 | 3.21 | 3.56 | 2.81 | 1.72 | 1.13 | 1.04 | 1.53 |
| Large time deposits[6] | 5.48 | 5.53 | 5.53 | 5.21 | 5.89 | 5.53 | 3.62 | 2.78 | 2.47 | 3.22 |
| Other time deposits[6] | 5.61 | 5.66 | 5.63 | 5.25 | 5.70 | 5.60 | 3.88 | 2.96 | 2.55 | 3.04 |
| Gross federal funds purchased and RPs | 5.11 | 5.22 | 4.99 | 4.73 | 5.69 | 3.92 | 1.85 | 1.31 | 1.45 | 2.89 |
| Other interest-bearing liabilities | 5.77 | 6.32 | 6.45 | 5.64 | 6.24 | 5.74 | 5.32 | 4.06 | 3.67 | 4.02 |
| | Income and expense as a percentage of average net consolidated assets | | | | | | | | | |
| Gross interest income | 7.77 | 7.90 | 7.75 | 7.48 | 7.83 | 7.35 | 6.31 | 5.46 | 5.32 | 5.78 |
| Taxable equivalent | 7.89 | 8.02 | 7.87 | 7.60 | 7.95 | 7.45 | 6.41 | 5.56 | 5.42 | 5.88 |
| Loans | 5.68 | 5.86 | 5.80 | 5.62 | 5.99 | 5.75 | 5.01 | 4.47 | 4.35 | 4.76 |
| Securities | 1.80 | 1.76 | 1.59 | 1.58 | 1.57 | 1.32 | 1.16 | .89 | .87 | .85 |
| Gross federal funds sold and reverse RPs | .24 | .24 | .29 | .22 | .21 | .20 | .07 | .05 | .05 | .11 |
| Other | .04 | .04 | .06 | .06 | .05 | .08 | .06 | .05 | .05 | .06 |
| Gross interest expense | 3.39 | 3.48 | 3.46 | 3.26 | 3.64 | 3.34 | 2.23 | 1.60 | 1.41 | 1.82 |
| Deposits | 3.22 | 3.28 | 3.25 | 3.02 | 3.30 | 3.08 | 1.98 | 1.41 | 1.22 | 1.58 |
| Gross federal funds purchased and RPs | .08 | .08 | .07 | .08 | .12 | .06 | .03 | .02 | .02 | .05 |
| Other | .08 | .11 | .13 | .15 | .21 | .20 | .21 | .17 | .17 | .19 |
| Net interest income | 4.38 | 4.42 | 4.28 | 4.22 | 4.20 | 4.01 | 4.08 | 3.86 | 3.91 | 3.96 |
| Taxable equivalent | 4.50 | 4.54 | 4.41 | 4.35 | 4.31 | 4.12 | 4.19 | 3.96 | 4.00 | 4.06 |
| Loss provisions[7] | .25 | .27 | .29 | .31 | .32 | .36 | .35 | .29 | .23 | .21 |
| Non-interest income | 1.42 | 1.41 | 1.52 | 1.44 | 1.32 | 1.31 | 1.39 | 1.47 | 1.38 | 1.34 |
| Service charges on deposits | .44 | .44 | .42 | .42 | .43 | .44 | .45 | .43 | .43 | .40 |
| Fiduciary activities | .19 | .20 | .23 | .26 | .21 | .25 | .27 | .28 | .32 | .33 |
| Trading revenue | * | * | * | * | .01 | * | * | * | * | * |
| Interest rate exposures | * | * | * | * | * | * | * | * | * | * |
| Foreign exchange rate exposures | * | * | * | * | * | * | * | * | * | * |
| Other commodity and equity exposures | * | * | * | * | * | * | * | * | * | * |
| Other | .79 | .77 | .86 | .75 | .68 | .62 | .67 | .76 | .64 | .61 |
| Non-interest expense | 3.70 | 3.69 | 3.74 | 3.73 | 3.58 | 3.55 | 3.57 | 3.56 | 3.52 | 3.49 |
| Salaries, wages, and employee benefits | 1.77 | 1.80 | 1.82 | 1.82 | 1.78 | 1.79 | 1.82 | 1.82 | 1.81 | 1.80 |
| Occupancy | .49 | .49 | .49 | .49 | .47 | .47 | .46 | .45 | .45 | .44 |
| Other | 1.44 | 1.40 | 1.43 | 1.42 | 1.32 | 1.29 | 1.28 | 1.28 | 1.26 | 1.25 |
| Net non-interest expense | 2.28 | 2.28 | 2.23 | 2.29 | 2.26 | 2.24 | 2.18 | 2.09 | 2.14 | 2.15 |
| Gains on investment account securities | .01 | .01 | .02 | * | −.01 | .04 | .05 | .04 | .01 | * |
| Income before taxes and extraordinary items | 1.85 | 1.89 | 1.79 | 1.62 | 1.61 | 1.45 | 1.60 | 1.53 | 1.55 | 1.60 |
| Taxes | .59 | .59 | .53 | .47 | .45 | .39 | .41 | .38 | .37 | .38 |
| Extraordinary items, net of income taxes | * | * | * | * | * | * | −.01 | * | * | * |
| Net income | 1.26 | 1.30 | 1.26 | 1.15 | 1.17 | 1.06 | 1.18 | 1.14 | 1.17 | 1.22 |
| Cash dividends declared | .64 | .74 | .82 | .70 | .79 | .64 | .68 | .67 | .64 | .67 |
| Retained income | .62 | .56 | .44 | .45 | .38 | .42 | .49 | .47 | .54 | .55 |
| MEMO: Return on equity | 12.37 | 12.53 | 12.02 | 11.26 | 11.52 | 10.17 | 11.46 | 10.96 | 11.24 | 11.58 |

1. Includes allocated transfer risk reserve.
2. Measured as the sum of large time deposits in domestic offices, deposits booked in foreign offices, subordinated notes and debentures, federal funds purchased and securities sold under repurchase agreements, Federal Home Loan Bank advances, and other borrowed money.
3. Measured as the sum of construction and land development loans secured by real estate; real estate loans secured by nonfarm nonresidential properties or by multifamily residential properties; and loans to finance commercial real estate, construction, and land development activities not secured by real estate.
4. Other real estate owned is a component of other non-interest-earning assets.
5. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
6. Before 1997, large time deposit open accounts were included in other time deposits.
7. Includes provisions for allocated transfer risk.
* In absolute value, less than 0.005 percent.
n.a. Not available.
MMDA Money market deposit account.
RP Repurchase agreement.
MBS Mortgage-backed securities.

## A.2. Report of income, all U.S. banks, 1996–2005

Millions of dollars

| Item | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross interest income | 313,696 | 338,865 | 359,675 | 366,137 | 423,839 | 404,406 | 350,040 | 329,757 | 350,028 | 428,064 |
| Taxable equivalent | 316,156 | 341,298 | 362,140 | 368,764 | 426,476 | 407,093 | 352,788 | 332,540 | 353,011 | 431,015 |
| Loans | 239,850 | 256,141 | 271,441 | 278,537 | 326,800 | 311,664 | 269,828 | 258,130 | 269,704 | 328,405 |
| Securities | 50,631 | 52,660 | 56,598 | 62,116 | 67,665 | 63,089 | 59,316 | 53,315 | 58,588 | 65,883 |
| Gross federal funds sold and reverse repurchase agreements | 9,272 | 13,658 | 14,999 | 12,330 | 13,546 | 12,649 | 6,223 | 5,122 | 5,245 | 11,012 |
| Other | 13,944 | 16,406 | 16,637 | 13,155 | 15,829 | 17,006 | 14,672 | 13,189 | 16,490 | 22,764 |
| Gross interest expense | 150,249 | 164,692 | 178,161 | 174,946 | 222,159 | 188,799 | 118,920 | 94,471 | 99,261 | 162,488 |
| Deposits | 107,512 | 117,350 | 125,217 | 119,665 | 151,145 | 132,352 | 81,899 | 62,753 | 64,001 | 105,731 |
| Gross federal funds purchased and repurchase agreements | 16,780 | 20,439 | 22,182 | 21,130 | 26,860 | 19,590 | 9,920 | 7,590 | 9,203 | 19,345 |
| Other | 25,956 | 26,903 | 30,760 | 34,149 | 44,155 | 36,854 | 27,101 | 24,128 | 26,057 | 37,411 |
| Net interest income | 163,447 | 174,173 | 181,514 | 191,191 | 201,680 | 215,607 | 231,120 | 235,286 | 250,767 | 265,576 |
| Taxable equivalent | 165,907 | 176,606 | 183,979 | 193,818 | 204,317 | 218,294 | 233,868 | 238,069 | 253,750 | 268,527 |
| Loss provisions | 16,395 | 19,402 | 21,427 | 21,186 | 29,386 | 43,238 | 45,278 | 32,767 | 23,895 | 25,581 |
| Non-interest income | 95,313 | 105,640 | 123,668 | 144,429 | 153,163 | 160,925 | 168,484 | 183,614 | 188,216 | 200,578 |
| Service charges on deposits | 17,050 | 18,558 | 19,769 | 21,497 | 23,719 | 26,873 | 29,631 | 31,693 | 33,459 | 33,880 |
| Fiduciary activities | 14,296 | 16,584 | 19,268 | 20,502 | 22,220 | 21,989 | 21,404 | 22,456 | 25,102 | 26,390 |
| Trading revenue | 7,525 | 8,018 | 7,693 | 10,429 | 12,235 | 12,382 | 10,735 | 11,446 | 9,954 | 14,355 |
| Other | 56,444 | 62,480 | 76,939 | 92,001 | 94,988 | 99,679 | 106,717 | 118,019 | 119,702 | 125,953 |
| Non-interest expense | 162,581 | 171,060 | 193,833 | 204,632 | 216,432 | 226,027 | 230,292 | 243,306 | 263,364 | 274,150 |
| Salaries, wages, and employee benefits | 67,826 | 72,346 | 79,538 | 86,151 | 89,036 | 94,209 | 100,455 | 108,471 | 115,281 | 124,072 |
| Occupancy | 20,892 | 22,080 | 24,164 | 25,865 | 26,765 | 27,945 | 29,316 | 31,318 | 33,258 | 35,053 |
| Other | 73,865 | 76,634 | 90,129 | 92,616 | 100,631 | 103,875 | 100,520 | 103,516 | 114,825 | 115,025 |
| Net non-interest expense | 67,268 | 65,420 | 70,165 | 60,203 | 63,269 | 65,102 | 61,808 | 59,692 | 75,148 | 73,572 |
| Gains on investment account securities | 1,123 | 1,825 | 3,090 | 250 | −2,280 | 4,625 | 6,411 | 5,633 | 3,792 | −220 |
| Income before taxes | 80,908 | 91,177 | 93,016 | 110,055 | 106,744 | 111,891 | 130,448 | 148,459 | 155,515 | 166,204 |
| Taxes | 28,447 | 32,001 | 31,965 | 39,211 | 37,250 | 37,284 | 42,956 | 48,456 | 50,340 | 53,652 |
| Extraordinary items, net of income taxes | 88 | 56 | 506 | 169 | −31 | −324 | −78 | 427 | 59 | 240 |
| **Net income** | **52,550** | **59,230** | **61,556** | **71,012** | **69,463** | **74,284** | **87,413** | **100,431** | **105,234** | **112,791** |
| Cash dividends declared | 39,419 | 42,801 | 41,205 | 52,101 | 52,547 | 54,844 | 67,230 | 77,757 | 59,587 | 64,617 |
| Retained income | 13,131 | 16,430 | 20,351 | 18,912 | 16,916 | 19,438 | 20,183 | 22,674 | 45,647 | 48,175 |