



Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury



25th Anniversary

Quarterly Journal

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Quarterly Journal



Office of the Comptroller of the Currency
Administrator of National Banks

John C. Dugan
Comptroller of the Currency

Volume 25, Number 3

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(Second quarter data)

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April [**Interpretations and Actions**]

1056, 3/29/2006, Letter concludes that a national bank may engage in customer-driven, perfectly matched, cash-settled derivative transactions on reference assets permitted under OCC Interpretive Letter No. 1039 (September 13, 2005), with the exception of emissions allowances, and on frozen concentrate orange juice, low density polyethylene and polypropylene, provided the bank's examiner-in-charge is satisfied that the bank has adequate risk management and measurement systems and controls to conduct the activities on a safe and sound basis.

May [**Interpretations and Actions**]

1057, 6/14/2005, Letter confirms the appropriate capital treatment of a multipurpose loan commitment where the borrower has the option to utilize the commitment in one of several ways, including a standby letter of credit.

1058, 4/20/2005, Interagency letter addressing the risk-based capital treatment of structured second mortgages.

1059, 4/13/2006, Letter concludes that a national bank may engage in customer-driven, perfectly matched, cash-settled derivative transactions (such as swaps, options, forwards, caps, floors, collars, and futures) where payments are based on prices of (i) polypropylene: injection molding (copoly) (2,6); (ii) old corrugated cardboard #11 (OCC 11); and (iii) the Dow Jones AIG Commodity Index, provided the bank's examiner-in-charge is satisfied that the bank has adequate risk management and measurement systems and controls to conduct the activities on a safe and sound basis.

1060, 4/26/2006, Letter concludes that a national bank may engage in customer-driven coal derivative transactions that settle in cash or by transitory title transfer and that are hedged on a portfolio basis with derivative and spot transactions that settle in cash or by transitory title transfer, provided the bank's examiner-in-charge is satisfied that the bank has adequate risk management and measurement systems and controls to conduct the activities on a safe and sound basis.

1061. 4/28/2006, Letter states that loans secured by insured non-negotiable certificates of deposit issued by other institutions do not qualify for the exception in the legal lending limit for loans secured by certain other loans (12 CFR 32.3(c)(3)(i)(B)) nor for the additional lending limit described in 12 CFR 32.3(a) for loans secured by readily marketable collateral.

1062. 4/24/2006, Letter grants request of certain affiliated banks of a waiver from Part 12's requirement that bank officers and employees who make investment recommendations or decisions for customers must report their personal transactions in securities to the bank within 10 business days after the end of the calendar quarter.

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ABOUT THE OCC

About the Office of the Comptroller of the Currency

September 2006

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Background

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

The OCC regulates national banks by its power to:

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

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

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



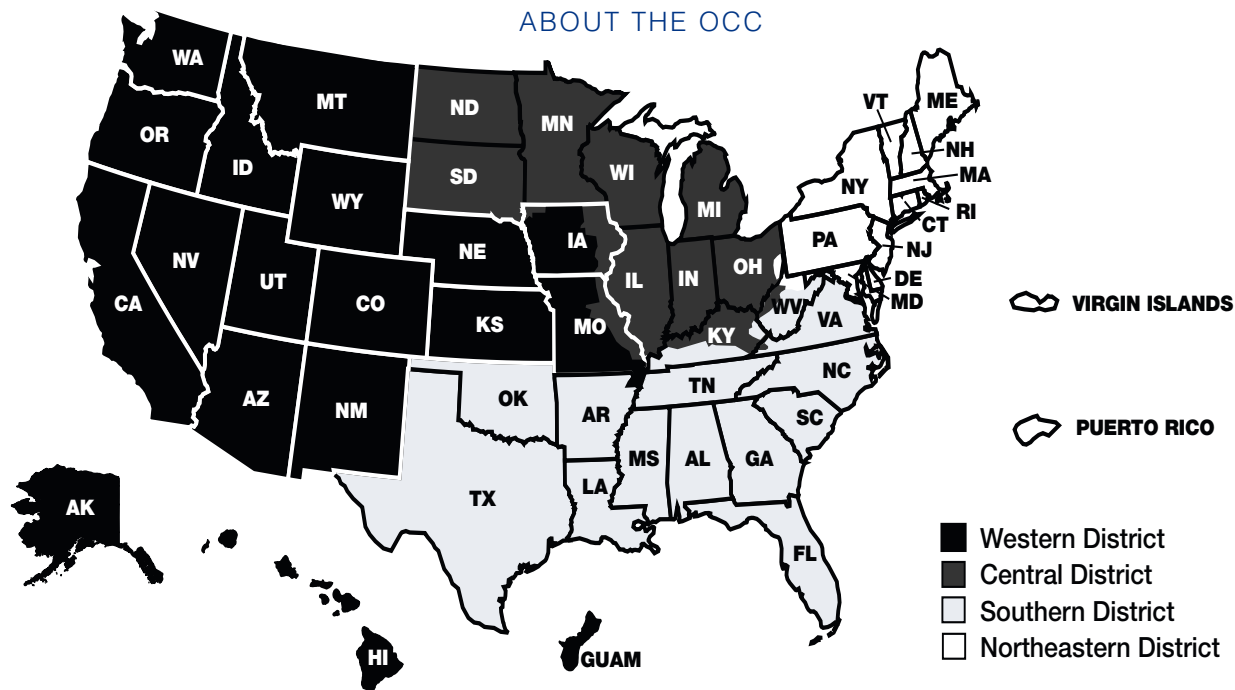
The Comptroller

John C. Dugan was sworn in as the 29th Comptroller of the Currency on August 4, 2005. Prior to his appointment as Comptroller, Mr. Dugan was a partner at the law firm of Covington & Burling, where he chaired the firm's Financial Institutions Group. He specialized in banking and financial institution regulation. He also served as outside counsel to the ABA Securities Association. He served at the Department of the Treasury from 1989 to 1993 and was appointed assistant secretary for domestic finance in 1992. While at Treasury, Mr. Dugan had extensive responsibility for policy initiatives involving banks and financial institutions, including the savings and loan cleanup, Glass-Steagall and banking reform, and regulation of government-sponsored enterprises. In 1991, he oversaw a comprehensive study of the banking industry that formed the basis for the financial modernization legislation proposed by the administration of the first President Bush. From 1985 to 1989, Mr. Dugan was minority counsel and minority general counsel for the U.S. Senate Committee on Banking, Housing, and Urban Affairs. There he advised the committee as it debated the Competitive Equality Banking Act of 1987, the Proxmire Financial Modernization Act of 1988, and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Among his professional and volunteer activities before becoming Comptroller, he served as a director of Minbanc, a charitable organization whose mission is to enhance professional and educational opportunities for minorities in the banking industry. He was also a member of the American Bar Association's committee on banking law, the Federal Bar Association's section of financial institutions and the economy, and the District of Columbia Bar Association's section of corporations, finance, and securities laws. A graduate of the University of Michigan in 1977 with an A.B. in English literature, Mr. Dugan also earned his J.D. from Harvard Law School in 1981.

The *Quarterly Journal* is the journal of record for significant actions and policies of the OCC. It is published four times a year, based on data released in March, June, September, and December. The *Quarterly Journal* is first released on the Web at www.occ.treas.gov/qj/qj.htm, and then, by subscription, on the CD-ROM *Quarterly Journal Library*, a cumulative collection starting with volume 17. The *Quarterly Journal* includes the condition and performance of commercial banks, statistical tables on the performance of FDIC-insured banks and OCC data on bank corporate structure, policy statements, decisions on banking structure, appeals to the ombudsman, links to selected speeches and congressional testimony and interpretive letters, summaries of enforcement actions, and other information of interest in the administration of national banks. Please send your comments and suggestions to Rebecca Miller, senior writer-editor, by fax to (202) 874-5263 or by e-mail to quarterlyjournal@occ.treas.gov. Subscriptions to the *Quarterly Journal Library* CD-ROM are available for \$50 a year by writing to Publications—QJ, OCC, Attn: Accounts Receivable, MS 4-8, 250 E St., SW, Washington, D.C. 20219.

ABOUT THE OCC



Northeastern District

New York District Office
340 Madison Avenue
5th Floor
New York, NY 10017-2613
(212) 790-4000

Southern District

Dallas District Office
500 North Akard Street
Suite 1600
Dallas, TX 75201
(214) 720-0656

Central District

Chicago District Office
One Financial Place, Suite 2700
440 South LaSalle Street
Chicago, IL 60605-1073
(312) 360-8800

Western District

Denver District Office
1225 17th Street
Suite 300
Denver, CO 80202
(720) 475-7600

Headquarters

Washington Office
250 E Street, SW
Washington, DC 20219-0001
(202) 874-5000

Office of the Ombudsman

1301 McKinney Street, Suite 3400
Houston, TX 77010-9000
(713) 336-4350

Customer Assistance Group

1301 McKinney Street, Suite 3450
Houston, TX 77010-9050
(713) 336-4300
Toll-free (800) 613-6743

For more information on the Office of the Comptroller of the Currency, contact:

OCC Public Disclosure Room, Communications Division, Washington, DC 20219
fax: (202) 874-4448; e-mail: FOIA-PA@occ.treas.gov

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(revised July 2005)

Notice to Customers Making Payment by Check

Authorization to convert your check: If you present a check to make your payment, your check will be converted into an electronic fund transfer. “Electronic fund transfer” is the term used to refer to the process in which a business or government agency electronically instructs your financial institution to transfer funds from your account to its account, rather than processing your paper check. **By presenting your signed check to the OCC, you authorize the agency to copy the check and to use the account information from the check to make an electronic fund transfer from your account for the same amount as the check.** If the electronic fund transfer cannot be processed for technical reasons, you authorize the OCC to process the copy of your check.

Insufficient funds: The electronic fund transfer from your account will usually occur within 24 hours, which is faster than a check is normally processed. Therefore, make sure sufficient funds are available in your checking account when you send your check to the OCC. If the electronic fund transfer cannot be completed because of insufficient funds, the OCC may attempt the transfer two additional times.

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25th Anniversary

CONDITION AND PERFORMANCE
OF COMMERCIAL BANKS

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Second Quarter 2006

A favorable economic environment supported continued high earnings at national banks in the second quarter of 2006. Return on equity reached a near-record 16.4 percent, adjusted for the effects of recent mergers (unadjusted return on equity was 13.7 percent). Net income grew briskly, up 14 percent from the second quarter of 2005, double the pace of growth in the previous year, as Table 1 shows.

Table 1—Earnings growth driven by noninterest income, slower growth in expenses

National banks	Major income components (Change, \$ millions)				Excluding five largest banks
	2004Q2-05Q2	% Change	2005Q2-06Q2	% Change	
Revenues					
Net interest income	2,386	5.7%	951	2.2%	4.5%
Real gains/losses sec	-12	n.m.	-1,267	n.m.	n.m.
Noninterest income	1,728	5.0%	4,852	13.3%	6.3%
Expenses					
Provisioning	-595	-12.8%	-203	-5.0%	29.1%
Noninterest expense	3,088	6.7%	210	0.4%	2.8%
Net income	1,251	7.1%	2,693	14.3%	4.8%

Source: Integrated Banking Information System (OCC)

Data are merger-adjusted and held constant for banks operating as of June 30, 2006. The five largest national banks are JPMorgan Chase, Citibank, Bank of America, Wachovia, and Wells Fargo.

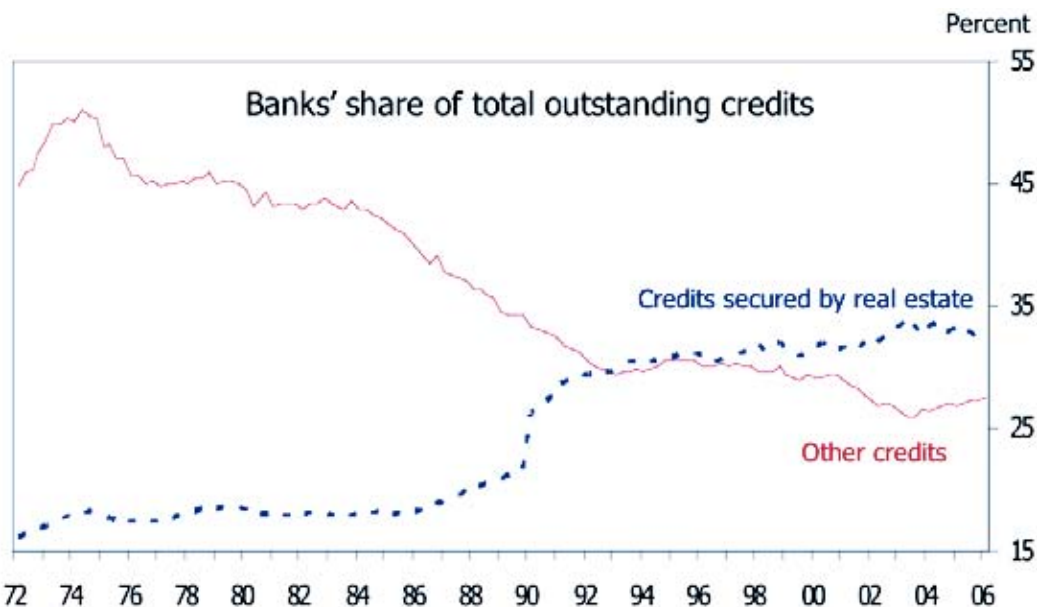
CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Noninterest income showed particular strength, driven by three major items: trading gains, which came from just a few companies, and accounted for 60 percent of the increase; servicing fees (15 percent), linked to the slowdown in mortgage refinancing; and securitization (7 percent), much of it from credit cards. Slower growth in noninterest expenses also contributed to earnings growth, in part related to the decline in litigation expenses from a few large banks. Net interest income barely increased year-over-year, the result of a continued slide in net interest margin at large banks. Provisioning expenses declined slightly from the previous year.

The picture looks different if the five largest national banks are excluded, as shown on the right side of Table 1. Without the big five, net income rose only 5 percent, instead of 14 percent; also, net interest income was relatively more important, and noninterest income relatively less important. Provisioning expenses also become more important, as rapid growth in this area cut into net income. Without the big five, noninterest expenses rose faster than for the entire system, though at a rate well below the long-term average.

One important force driving bank earnings over the last decade has been the growing share of credit in the economy. Today's economy now operates with more debt per unit of output than it did in the early 1990s: private nonfinancial debt, for example, rose from 122 percent of gross domestic product (GDP) in 1993 to 170 percent of GDP in 2005. A key element driving this increase

Figure 1—Banks' share of mortgage market up; other areas down



Source: Federal Reserve Board/Haver Analytics

Quarterly data through 2006Q1. Credits secured by real estate are residential and commercial real estate mortgage assets plus mortgage-backed securities (MBS) divided by total home, commercial, multifamily, and farm mortgages; other credits are commercial and industrial, consumer loans, and nonfinancial corporate bonds (except private MBS) divided by total short-term nonfinancial business borrowing, corporate bonds, and consumer credits.

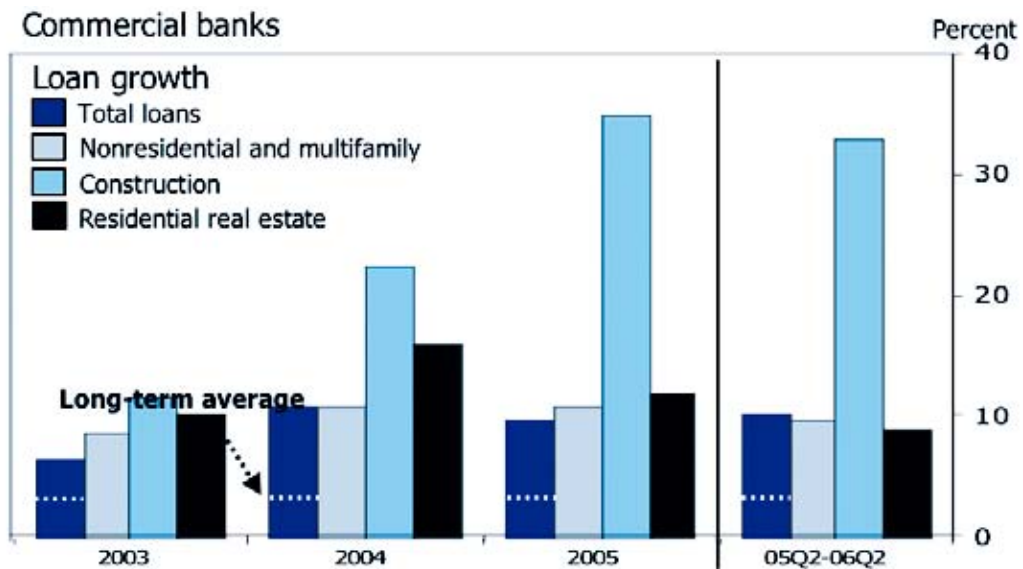
CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

in credit has been the growth of the mortgage market, defined broadly to include home equity and commercial loans backed by real estate, construction and land development loans, as well as residential mortgage loans. Over the same 12-year period, total mortgage debt rose from 60 percent to 95 percent of GDP.

Figure 1 shows that banks have increased their share of this growing mortgage market. The dotted line shows the share of total outstanding mortgage-backed debt (including mortgage-backed securities) held by banks; this does not include originations; if originations were included, the share would rise considerably. This share has moved up consistently over the last three decades, at the same time that banks' share of other credits, shown by the solid line, has fallen.

Earnings have remained high for most of the last decade because banks have been able to take advantage of their growing share of the fast-growing mortgage market to keep loan volume high. Figure 2 shows that loan growth in the real estate-related subsectors has remained well above the long-term average for these categories over the last four years. From 2003 to the second quarter of 2006, loans for nonresidential real estate, multifamily real estate, and residential real loans grew nearly three percentage points faster than their long-term averages; over the same period, construction loans grew at a remarkable 29 percent annually, 20 percentage points above the long-term average. Rapid growth in these categories allowed total loans to grow at 10.7 percent annually over the same period, more than three percentage points above their long-term average. Data

Figure 2—Real estate-related loans continue to grow



Source: Integrated Banking Information System (OCC)

Long-term average is annual average growth from 1991-2002. Residential real estate is 1- to 4-family and home equity loans.

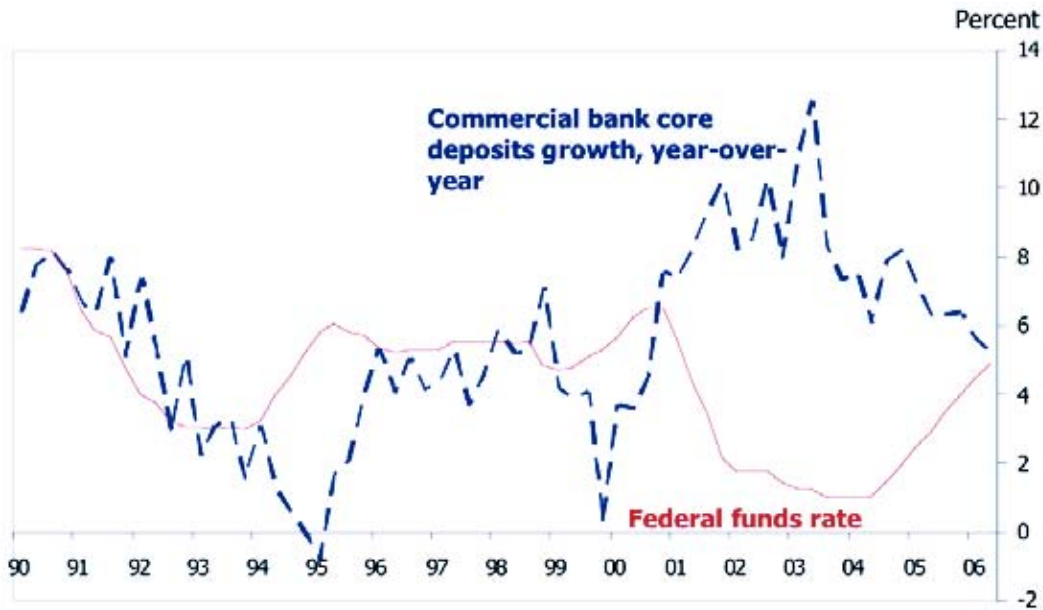
CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

from the last few quarters show a pronounced slowing in home equity lending at banks, though first mortgage lending has continued to grow through August, according to the Federal Reserve Board.

Capitalizing on mortgage loan growth has allowed banks to keep earnings high. Until recently, strong growth in core deposits provided the funding to cover the expansion in lending. Figure 3 illustrates the connection between interest rates and the attractiveness of core deposits. When short-term interest rates are low, here indicated by the federal funds rate, shown in the solid line, bank customers have little incentive to seek higher rates elsewhere, and core deposit growth tends to be strong. This is certainly evident in the period from the beginning of the recession in 2001 until mid-2004, when the drop in the federal funds rate stimulated an acceleration in core deposits. This trend reversed itself when the Federal Reserve Board (Fed) began ratcheting interest rates back up in 2004. August 2006 data from the Fed shows core deposit growth slipping back to 3 percent year-over-year, well below the long-term average of around 6 percent.

At the same time, continued strong loan growth (9 percent year-over-year according to the Fed's August data) means that banks now face liquidity pressure. The recent falloff in core deposit

Figure 3—Rise in short-term rates crimps deposit growth

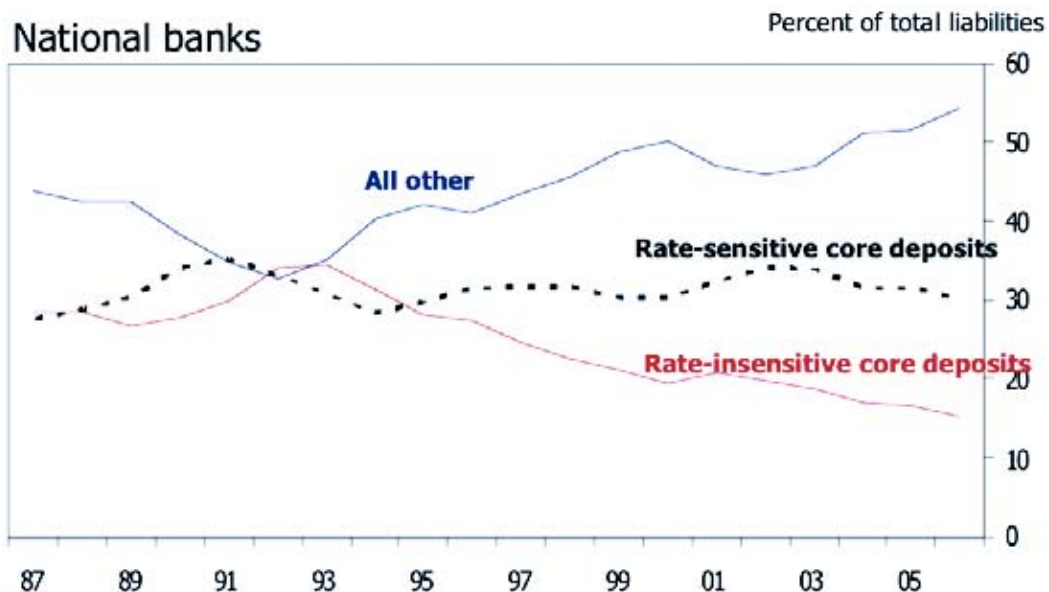


Source: Integrated Banking Information System (OCC), Federal Reserve Board/Haver Analytics
Quarterly data through 2006Q2.

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

growth comes on top of a long-term shift to more expensive funding for banks, as illustrated in Figure 4. For more than two decades, banks have been moving away from traditional core deposits such as checking and small savings deposits, and toward more expensive funding, including transaction accounts, non-money market deposits, and large time deposits. These newer sources are more sensitive to swings in interest rates than checking or small savings deposits, which complicates the problem of finding stable funding. Moreover, when interest rates rise, not only is it harder to attract low-cost deposits, but banks face the additional burden of paying more for the deposits they do attract. Small banks have been somewhat more successful than their larger counterparts at retaining rate-insensitive core deposits. However, even these smaller banks, where large time deposits constitute an increasing share of funding, will face pressure to find adequate low-cost deposits as they continue to try to maintain growth in loan volume.

Figure 4—Bank funding becoming more expensive, less stable



Source: Integrated Banking Information System (OCC)

Rate-sensitive cost core deposits are small time deposits and money market deposit accounts (MMDAs); *Rate-insensitive core deposits* are transaction and non-MMDAs; *All other* includes large time deposits and Federal Home Loan Bank advances to national banks.

These trends add pressure to net interest margins, which for large banks now stand at a record low. Net interest margins at small banks have inched up from record lows reached several quarters ago, but remain near the bottom of their historical range.

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Key indicators, FDIC-insured national banks
Annual 2002–2005, year-to-date through June 30, 2006, second quarter 2005, and second quarter 2006
(Dollar figures in millions)

	2002	2003	2004	2005	Preliminary 2006YTD	2005Q2	Preliminary 2006Q2
Number of institutions reporting	2,077	1,999	1,907	1,818	1,780	1,864	1,780
Total employees (FTEs)	993,469	1,000,493	1,143,384	1,172,300	1,207,006	1,168,593	1,207,006
Selected income data (\$)							
Net income	\$56,210	\$63,116	\$67,434	\$73,834	\$42,661	\$18,960	\$21,588
Net interest income	141,154	143,073	159,641	169,618	89,107	43,949	45,137
Provision for loan losses	32,595	23,989	18,639	19,758	8,087	4,139	3,863
Noninterest income	109,272	116,422	127,063	145,194	81,818	36,724	41,280
Noninterest expense	136,795	144,947	170,829	185,899	98,659	49,098	49,375
Net operating income	54,067	60,746	65,420	73,625	42,842	18,525	21,824
Cash dividends declared	41,757	45,049	33,033	41,664	20,323	12,008	11,126
Net charge-offs	31,360	26,956	21,904	22,137	7,916	4,687	4,140
Selected condition data (\$)							
Total assets	3,908,206	4,292,261	5,602,021	6,003,197	6,461,433	5,821,521	6,461,433
Total loans and leases	2,445,236	2,630,410	3,166,714	3,427,020	3,613,774	3,294,829	3,613,774
Reserve for losses	48,326	48,611	48,964	44,188	44,358	46,652	44,358
Securities	653,608	753,615	908,054	924,206	1,012,244	933,973	1,012,244
Other real estate owned	2,075	1,941	1,529	1,575	2,318	1,451	2,318
Noncurrent loans and leases	38,162	34,873	29,609	28,333	27,463	28,019	27,463
Total deposits	2,565,768	2,786,716	3,581,430	3,850,057	4,086,214	3,690,082	4,086,214
Domestic deposits	2,168,874	2,322,011	2,848,730	3,085,596	3,186,121	2,943,260	3,186,121
Equity capital	371,387	390,519	557,821	592,752	639,624	584,034	639,624
Off-balance-sheet derivatives	25,953,772	31,554,693	86,319,461	99,646,111	117,170,634	94,478,194	117,170,634
Performance ratios (annualized %)							
Return on equity	15.72	16.50	13.81	13.23	13.74	13.63	13.59
Return on assets	1.49	1.53	1.27	1.29	1.37	1.34	1.36
Net interest income to assets	3.75	3.47	3.00	2.96	2.85	3.10	2.84
Loss provision to assets	0.87	0.58	0.35	0.35	0.26	0.29	0.24
Net operating income to assets	1.44	1.47	1.23	1.29	1.37	1.31	1.37
Noninterest income to assets	2.90	2.82	2.39	2.54	2.62	2.59	2.60
Noninterest expense to assets	3.63	3.51	3.22	3.25	3.16	3.46	3.10
Loss provision to loans and leases	1.38	0.95	0.62	0.61	0.46	0.52	0.43
Net charge-offs to loans and leases	1.33	1.07	0.73	0.68	0.45	0.59	0.46
Loss provision to net charge-offs	103.94	89.00	85.09	89.25	102.16	88.31	93.30
Performance ratios (%)							
Percent of institutions unprofitable	6.93	5.60	5.30	5.01	4.61	5.36	4.89
Percent of institutions with earnings gains	71.11	55.98	62.72	65.29	61.07	62.39	61.35
Nonint. income to net operating revenue	43.63	44.86	44.32	46.12	47.87	45.52	47.77
Nonint. expense to net operating revenue	54.62	55.86	59.58	59.05	57.72	60.86	57.14
Condition ratios (%)							
Nonperforming assets to assets	1.06	0.89	0.57	0.50	0.46	0.51	0.46
Noncurrent loans to loans	1.56	1.33	0.94	0.83	0.76	0.85	0.76
Loss reserve to noncurrent loans	126.63	139.40	165.37	155.96	161.52	166.50	161.52
Loss reserve to loans	1.98	1.85	1.55	1.29	1.23	1.42	1.23
Equity capital to assets	9.50	9.10	9.96	9.87	9.90	10.03	9.90
Leverage ratio	7.88	7.71	7.30	7.31	7.28	7.37	7.28
Risk-based capital ratio	12.66	12.65	12.25	11.93	12.17	12.17	12.17
Net loans and leases to assets	61.33	60.15	55.65	56.35	55.24	55.80	55.24
Securities to assets	16.72	17.56	16.21	15.40	15.67	16.04	15.67
Appreciation in securities (% of par)	2.10	0.88	0.55	-1.06	-2.70	0.53	-2.70
Residential mortgage assets to assets	24.72	24.44	23.51	23.60	23.90	23.65	23.90
Total deposits to assets	65.65	64.92	63.93	64.13	63.24	63.39	63.24
Core deposits to assets	48.74	48.03	43.83	43.53	41.05	43.33	41.05
Volatile liabilities to assets	30.31	30.57	33.90	35.75	37.68	35.00	37.68

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Loan performance, FDIC-insured national banks
Annual 2002–2005, year-to-date through June 30, 2006, second quarter 2005, and second quarter 2006
(Dollar figures in millions)

	2002	2003	2004	2005	Preliminary 2006YTD	2005Q2	Preliminary 2006Q2
Percent of loans past due 30-89 days							
Total loans and leases	1.14	1.02	0.87	0.92	0.81	0.77	0.81
Loans secured by real estate (RE)	1.07	0.91	0.75	0.85	0.70	0.70	0.70
1- to 4-family residential mortgages	1.45	1.30	1.05	1.15	0.95	0.98	0.95
Home equity loans	0.61	0.45	0.39	0.56	0.49	0.40	0.49
Multifamily residential mortgages	0.42	0.54	0.39	0.73	0.35	0.39	0.35
Commercial RE loans	0.58	0.47	0.44	0.47	0.37	0.37	0.37
Construction RE loans	0.91	0.66	0.61	0.59	0.58	0.54	0.58
Commercial and industrial loans	0.76	0.63	0.56	0.70	0.54	0.46	0.54
Loans to individuals	2.15	2.08	1.84	1.74	1.79	1.62	1.79
Credit cards	2.57	2.48	2.21	2.07	2.20	2.00	2.20
Installment loans and other plans	2.07	1.95	1.67	1.64	1.65	1.45	1.65
All other loans and leases	0.55	0.34	0.31	0.40	0.35	0.30	0.35
Percent of loans noncurrent							
Total loans and leases	1.56	1.33	0.94	0.83	0.76	0.85	0.76
Loans secured by real estate (RE)	0.97	0.95	0.69	0.80	0.73	0.72	0.73
1- to 4-family residential mortgages	1.02	1.14	0.86	1.15	1.00	0.97	1.00
Home equity loans	0.32	0.24	0.18	0.26	0.28	0.17	0.28
Multifamily residential mortgages	0.48	0.45	0.43	0.40	0.49	0.46	0.49
Commercial RE loans	1.05	0.97	0.72	0.61	0.57	0.71	0.57
Construction RE loans	1.03	0.71	0.44	0.37	0.41	0.44	0.41
Commercial and industrial loans	3.00	2.19	1.22	0.74	0.65	0.91	0.65
Loans to individuals	1.60	1.78	1.66	1.37	1.37	1.47	1.37
Credit cards	2.16	2.24	2.03	1.90	2.04	1.74	2.04
Installment loans and other plans	1.30	1.55	1.46	1.01	0.97	1.39	0.97
All other loans and leases	1.11	0.74	0.39	0.28	0.22	0.35	0.22
Percent of loans charged-off, net							
Total loans and leases	1.33	1.07	0.73	0.68	0.45	0.59	0.46
Loans secured by real estate (RE)	0.19	0.21	0.08	0.06	0.06	0.06	0.06
1- to 4-family residential mortgages	0.17	0.24	0.08	0.06	0.06	0.06	0.06
Home equity loans	0.23	0.23	0.10	0.10	0.13	0.10	0.12
Multifamily residential mortgages	0.11	0.03	0.04	0.05	0.03	0.08	0.01
Commercial RE loans	0.17	0.13	0.05	0.04	0.02	0.07	0.03
Construction RE loans	0.19	0.14	0.04	0.01	0.02	-0.02	0.03
Commercial and industrial loans	1.80	1.35	0.43	0.19	0.21	0.17	0.24
Loans to individuals	4.01	3.45	3.14	3.20	2.13	2.77	2.20
Credit cards	6.57	5.48	5.14	4.96	3.45	4.58	3.71
Installment loans and other plans	1.91	1.81	1.51	1.71	1.09	1.23	1.07
All other loans and leases	1.24	0.88	0.23	0.44	0.08	0.02	0.09
Loans outstanding (\$)							
Total loans and leases	\$2,445,236	\$2,630,410	\$3,166,714	\$3,427,020	\$3,613,774	\$3,294,829	\$3,613,774
Loans secured by real estate (RE)	1,139,394	1,254,951	1,572,665	1,751,726	1,853,776	1,666,480	1,853,776
1- to 4-family residential mortgages	573,802	605,070	744,686	833,958	881,714	780,851	881,714
Home equity loans	141,056	192,703	294,919	320,145	340,051	325,687	340,051
Multifamily residential mortgages	33,968	35,652	39,948	43,518	43,133	43,127	43,133
Commercial RE loans	253,427	269,936	302,215	325,214	336,206	308,908	336,206
Construction RE loans	95,360	104,218	129,221	167,585	187,059	148,950	187,059
Farmland loans	13,225	13,614	14,679	15,824	16,469	15,323	16,469
RE loans from foreign offices	28,556	33,758	46,998	45,482	49,145	43,633	49,145
Commercial and industrial loans	546,053	500,005	580,192	672,562	730,314	644,628	730,314
Loans to individuals	450,436	527,817	615,502	607,137	604,404	596,977	604,404
Credit cards	209,812	250,719	300,097	282,567	262,294	274,667	262,294
Other revolving credit plans	33,243	32,883	34,258	35,160	37,236	34,586	37,236
Installment loans	207,381	244,215	281,147	289,409	304,874	287,724	304,874
All other loans and leases	311,803	349,521	400,578	397,500	426,441	388,635	426,441
Less: Unearned income	2,449	1,884	2,224	1,906	1,160	1,891	1,160

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Key indicators, FDIC-insured national banks by asset size Second quarter 2005 and second quarter 2006 (Dollar figures in millions)

	Less than \$100M		\$100M to \$1B		\$1B to \$10B		Greater than \$10B	
	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2
Number of institutions reporting	728	671	965	930	126	131	45	48
Total employees (FTEs)	16,371	15,424	90,138	86,733	86,738	85,082	975,346	1,019,767
Selected income data (\$)								
Net income	\$108	\$104	\$873	\$871	\$1,357	\$1,483	\$16,622	\$19,130
Net interest income	391	378	2,533	2,517	3,024	3,276	38,001	38,966
Provision for loan losses	19	14	146	103	181	209	3,793	3,537
Noninterest income	140	164	1,236	1,146	2,327	2,370	33,022	37,600
Noninterest expense	371	397	2,455	2,397	3,147	3,217	43,125	43,364
Net operating income	108	105	874	858	1,351	1,487	16,191	19,375
Cash dividends declared	77	60	548	520	969	1,093	10,415	9,454
Net charge-offs	13	8	109	71	176	168	4,389	3,894
Selected condition data (\$)								
Total assets	40,395	38,083	270,232	267,095	356,236	383,554	5,154,659	5,772,701
Total loans and leases	23,891	22,757	174,513	174,775	225,167	241,466	2,871,258	3,174,777
Reserve for losses	339	317	2,222	2,170	2,806	3,067	41,284	38,804
Securities	11,001	10,081	63,133	59,448	76,749	76,043	783,091	866,673
Other real estate owned	57	46	242	234	134	136	1,019	1,902
Noncurrent loans and leases	245	216	1,256	1,196	1,389	1,407	25,129	24,644
Total deposits	33,549	31,612	217,737	215,781	243,544	267,465	3,195,251	3,571,356
Domestic deposits	33,535	31,595	217,471	215,574	241,160	264,136	2,451,095	2,674,817
Equity capital	4,816	4,542	28,545	27,934	39,334	42,860	511,339	564,287
Off-balance-sheet derivatives	13	53	4,241	3,388	16,960	23,299	95,147,037	118,042,754
Performance ratios (annualized %)								
Return on equity	9.08	9.18	12.42	12.57	14.03	13.99	13.72	13.65
Return on assets	1.08	1.09	1.31	1.32	1.54	1.58	1.33	1.35
Net interest income to assets	3.91	3.97	3.79	3.80	3.44	3.49	3.03	2.74
Loss provision to assets	0.19	0.15	0.22	0.16	0.21	0.22	0.30	0.25
Net operating income to assets	1.08	1.10	1.31	1.30	1.54	1.58	1.29	1.36
Noninterest income to assets	1.40	1.72	1.85	1.73	2.65	2.52	2.64	2.65
Noninterest expense to assets	3.70	4.17	3.67	3.62	3.58	3.43	3.44	3.05
Loss provision to loans and leases	0.32	0.25	0.34	0.24	0.33	0.35	0.55	0.45
Net charge-offs to loans and leases	0.23	0.14	0.25	0.17	0.32	0.28	0.63	0.50
Loss provision to net charge-offs	140.73	177.68	133.86	145.28	102.97	124.53	86.44	90.83
Performance ratios (%)								
Percent of institutions unprofitable	10.03	9.09	2.38	2.69	3.17	0.76	0.00	0.00
Percent of institutions with earnings gains	58.10	57.08	63.83	63.66	76.98	67.94	60.00	58.33
Nonint. income to net operating revenue	26.33	30.22	32.80	31.29	43.48	41.98	46.49	49.11
Nonint. expense to net operating revenue	69.88	73.31	65.12	65.43	58.82	56.97	60.72	56.64
Condition ratios (%)								
Nonperforming assets to assets	0.75	0.69	0.56	0.54	0.43	0.41	0.52	0.46
Noncurrent loans to loans	1.03	0.95	0.72	0.68	0.62	0.58	0.88	0.78
Loss reserve to noncurrent loans	138.52	146.48	176.98	181.39	201.99	217.98	164.29	157.46
Loss reserve to loans	1.42	1.39	1.27	1.24	1.25	1.27	1.44	1.22
Equity capital to assets	11.92	11.93	10.56	10.46	11.04	11.17	9.92	9.78
Leverage ratio	11.85	12.13	9.63	9.76	9.06	8.97	7.09	7.02
Risk-based capital ratio	19.38	19.66	14.73	14.62	13.60	12.84	11.91	11.98
Net loans and leases to assets	58.30	58.92	63.76	64.62	62.42	62.16	54.90	54.32
Securities to assets	27.23	26.47	23.36	22.26	21.54	19.83	15.19	15.01
Appreciation in securities (% of par)	-0.44	-2.48	-0.16	-2.37	-0.06	-2.15	0.66	-2.77
Residential mortgage assets to assets	20.75	19.90	22.39	21.65	26.18	21.03	23.57	24.22
Total deposits to assets	83.05	83.01	80.57	80.79	68.37	69.73	61.99	61.87
Core deposits to assets	70.16	69.25	66.47	65.54	57.14	55.86	40.95	38.75
Volatile liabilities to assets	15.39	16.43	18.62	20.13	25.01	27.44	36.71	39.31

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Loan performance, FDIC-insured national banks by asset size
Second quarter 2005 and second quarter 2006
(Dollar figures in millions)

	Less than \$100M		\$100M to \$1B		\$1B to \$10B		Greater than \$10B	
	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2
Percent of loans past due 30-89 days								
Total loans and leases	1.27	1.21	0.80	0.81	0.56	0.70	0.78	0.81
Loans secured by real estate (RE)	1.18	1.17	0.69	0.73	0.38	0.54	0.73	0.71
1- to 4-family residential mortgages	1.58	1.56	1.00	1.05	0.56	0.80	1.01	0.95
Home equity loans	0.65	0.72	0.38	0.50	0.26	0.39	0.41	0.49
Multifamily residential mortgages	0.40	0.43	0.54	0.61	0.17	0.35	0.42	0.32
Commercial RE loans	1.06	1.02	0.50	0.55	0.30	0.39	0.35	0.31
Construction RE loans	0.92	0.92	0.75	0.70	0.31	0.56	0.56	0.56
Commercial and industrial loans	1.40	1.30	1.02	0.89	0.96	1.06	0.39	0.48
Loans to individuals	2.26	2.16	1.55	1.53	1.00	1.13	1.64	1.81
Credit cards	1.98	2.81	2.66	2.95	1.74	1.60	2.00	2.20
Installment loans and other plans	2.31	2.18	1.44	1.38	0.92	1.08	1.47	1.69
All other loans and leases	0.66	0.52	0.53	0.67	0.47	0.46	0.29	0.34
Percent of loans noncurrent								
Total loans and leases	1.03	0.95	0.72	0.68	0.62	0.58	0.88	0.78
Loans secured by real estate (RE)	0.91	0.91	0.68	0.67	0.56	0.52	0.74	0.75
1- to 4-family residential mortgages	0.91	0.87	0.64	0.67	0.56	0.58	1.02	1.04
Home equity loans	0.48	0.26	0.15	0.21	0.17	0.25	0.17	0.29
Multifamily residential mortgages	1.01	0.56	0.53	0.57	0.34	0.42	0.47	0.49
Commercial RE loans	1.03	1.17	0.77	0.73	0.79	0.67	0.66	0.51
Construction RE loans	0.51	0.69	0.60	0.67	0.35	0.37	0.44	0.38
Commercial and industrial loans	1.70	1.38	0.99	0.89	0.85	0.77	0.91	0.62
Loans to individuals	0.80	0.70	0.57	0.56	0.51	0.55	1.53	1.42
Credit cards	1.12	1.32	1.72	2.05	1.32	1.60	1.75	2.05
Installment loans and other plans	0.81	0.69	0.43	0.37	0.39	0.32	1.50	1.03
All other loans and leases	0.94	0.81	0.71	0.44	0.47	0.55	0.33	0.20
Percent of loans charged-off, net								
Total loans and leases	0.23	0.14	0.25	0.17	0.32	0.28	0.63	0.50
Loans secured by real estate (RE)	0.07	0.03	0.08	0.05	0.08	0.07	0.06	0.06
1- to 4-family residential mortgages	0.05	0.07	0.05	0.07	0.06	0.09	0.06	0.06
Home equity loans	-0.04	0.36	0.06	0.03	0.06	0.09	0.10	0.13
Multifamily residential mortgages	0.81	-0.01	0.19	0.04	0.08	0.05	0.05	0.00
Commercial RE loans	0.08	-0.01	0.10	0.04	0.13	0.11	0.04	0.00
Construction RE loans	0.05	0.02	0.02	0.05	0.01	0.01	-0.03	0.04
Commercial and industrial loans	0.60	0.47	0.39	0.27	0.43	0.55	0.13	0.21
Loans to individuals	0.74	0.49	1.28	1.08	1.73	1.16	2.85	2.27
Credit cards	2.19	1.32	6.93	5.97	5.78	2.77	4.56	3.71
Installment loans and other plans	0.70	0.46	0.53	0.43	1.00	0.81	1.28	1.12
All other loans and leases	0.11	-0.02	0.60	0.18	0.35	0.29	0.00	0.08
Loans outstanding (\$)								
Total loans and leases	\$23,891	\$22,757	\$174,513	\$174,775	\$225,167	\$241,466	\$2,871,258	\$3,174,777
Loans secured by real estate (RE)	14,890	14,267	124,185	125,312	147,498	156,123	1,379,906	1,558,074
1- to 4-family residential mortgages	5,927	5,526	39,035	37,984	49,300	41,234	686,590	796,970
Home equity loans	506	483	6,961	6,683	12,251	11,644	305,968	321,240
Multifamily residential mortgages	335	293	4,138	4,074	7,006	8,313	31,648	30,453
Commercial RE loans	4,692	4,556	49,394	48,845	49,373	54,114	205,449	228,691
Construction RE loans	1,534	1,578	18,614	21,363	26,198	36,214	102,605	127,904
Farmland loans	1,897	1,830	6,042	6,363	2,466	2,944	4,918	5,333
RE loans from foreign offices	0	1	2	1	904	1,659	42,727	47,484
Commercial and industrial loans	3,748	3,536	27,507	26,905	48,713	53,205	564,659	646,668
Loans to individuals	2,436	2,269	13,663	13,017	20,015	19,457	560,863	569,660
Credit cards	58	71	1,597	1,547	3,199	3,730	269,814	256,946
Other revolving credit plans	40	36	353	397	1,156	840	33,035	35,962
Installment loans	2,338	2,162	11,712	11,073	15,660	14,887	258,014	276,752
All other loans and leases	2,836	2,702	9,327	9,704	9,070	12,832	367,402	401,203
Less: Unearned income	19	17	170	164	131	151	1,572	829

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Off-balance-sheet items, FDIC-insured national banks
Annual 2002–2005, year-to-date through June 30, 2006, second quarter 2005, and second quarter 2006
(Dollar figures in millions)

	2002	2003	2004	2005	Preliminary 2006YTD	2005Q2	Preliminary 2006Q2
Number of institutions reporting	2,077	1,999	1,907	1,818	1,780	1,864	1,780
Unused commitments	\$3,889,135	\$3,991,445	\$4,453,084	\$4,829,972	\$5,166,068	\$4,590,072	\$5,166,068
Home equity lines	172,847	216,968	293,398	363,935	394,469	339,315	394,469
Credit card lines	2,645,382	2,739,921	2,821,263	2,947,829	3,130,734	2,837,135	3,130,734
Commercial RE, construction and land	83,422	92,106	129,764	173,119	181,145	154,333	181,145
All other unused commitments	987,484	942,451	1,208,660	1,345,088	1,459,720	1,259,289	1,459,720
Letters of Credit:							
Standby letters of credit	162,127	178,128	259,179	278,573	311,085	265,273	311,085
Financial letters of credit	134,861	147,060	218,547	233,409	264,973	224,926	264,973
Performance letters of credit	27,266	31,069	40,631	45,164	46,111	40,348	46,111
Commercial letters of credit	15,298	15,286	24,270	24,026	24,755	24,707	24,755
Securities lent	123,912	177,478	457,946	535,264	624,478	518,787	624,478
Spot foreign exchange contracts	147,685	222,054	400,545	407,358	898,859	690,057	898,859
Credit derivatives (notional value)							
Reporting bank is the guarantor	110,910	178,245	1,125,687	2,679,692	3,296,693	1,891,078	3,296,693
Reporting bank is the beneficiary	145,087	202,908	1,209,280	3,125,115	3,251,740	2,200,682	3,251,740
Derivative contracts (notional value)	25,953,772	31,554,693	86,319,461	99,646,111	117,170,634	94,478,194	117,170,634
Futures and forward contracts	6,464,816	5,909,650	10,812,285	11,388,668	12,954,786	11,256,839	12,954,786
Interest rate contracts	4,194,362	3,590,804	6,434,040	6,934,657	7,594,979	7,005,632	7,594,979
Foreign exchange contracts	2,211,652	2,302,176	4,250,770	4,291,077	5,177,697	4,106,637	5,177,697
All other futures and forwards	58,802	16,671	127,475	162,935	182,110	144,569	182,110
Option contracts	5,312,873	6,756,117	17,364,395	18,367,542	23,921,440	18,839,828	23,921,440
Interest rate contracts	4,617,502	5,879,588	14,603,770	14,711,524	18,760,569	15,769,632	18,760,569
Foreign exchange contracts	536,303	726,617	1,708,926	2,325,694	3,123,319	1,872,592	3,123,319
All other options	159,068	149,912	1,051,699	1,330,324	2,037,552	1,197,604	2,037,552
Swaps	13,920,086	18,507,773	55,807,814	64,085,094	73,745,974	60,289,766	73,745,974
Interest rate contracts	13,320,120	17,647,756	53,504,377	61,691,179	71,086,362	58,033,854	71,086,362
Foreign exchange contracts	541,373	763,911	2,121,180	2,066,830	2,284,394	2,033,723	2,284,394
All other swaps	58,593	96,106	182,257	327,085	375,219	222,189	375,219
Memoranda: Derivatives by purpose							
Contracts held for trading	24,024,510	29,177,058	81,640,120	91,529,964	108,285,963	88,170,606	108,285,963
Contracts not held for trading	1,673,266	1,996,482	2,344,373	2,311,340	2,336,238	2,215,828	2,336,238
Memoranda: Derivatives by position							
Held for trading—positive fair value	484,368	488,557	1,291,415	1,194,941	1,289,277	1,460,446	1,289,277
Held for trading—negative fair value	478,681	479,255	1,267,379	1,178,295	1,268,660	1,439,829	1,268,660
Not for trading—positive fair value	28,569	22,168	18,222	12,563	12,676	15,568	12,676
Not for trading—negative fair value	20,149	18,876	15,809	12,377	12,311	14,419	12,311

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Off-balance-sheet items, FDIC-insured national banks by asset size Second quarter 2005 and second quarter 2006 (Dollar figures in millions)

	Less than \$100M		\$100M to \$1B		\$1B to \$10B		Greater than \$10B	
	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2
Number of institutions reporting	728	671	965	930	126	131	45	48
Unused commitments	\$56,615	\$23,665	\$137,483	\$176,899	\$675,412	\$744,564	\$3,720,560	\$4,220,940
Home equity lines	372	361	5,732	6,162	11,496	13,518	321,715	374,428
Credit card lines	52,515	19,597	102,329	140,307	608,596	668,270	2,073,696	2,302,560
Commercial RE, construction and land	963	919	11,178	11,857	21,478	25,980	120,714	142,388
All other unused commitments	2,766	2,789	18,245	18,573	33,843	36,795	1,204,435	1,401,564
Letters of Credit:								
Standby letters of credit	108	117	1,935	1,699	5,229	5,355	258,001	303,913
Financial letters of credit	65	68	1,245	1,069	3,800	3,844	219,817	259,993
Performance letters of credit	44	49	690	630	1,430	1,512	38,184	43,921
Commercial letters of credit	17	18	223	244	608	786	23,859	23,707
Securities lent	30	19	23	68	1,936	1,484	516,797	622,907
Spot foreign exchange contracts	0	0	2	2	155	162	689,900	898,696
Credit derivatives (notional value)								
Reporting bank is the guarantor	0	0	0	5	0	0	1,891,078	3,296,688
Reporting bank is the beneficiary	0	0	60	0	0	0	2,200,622	3,251,740
Derivative contracts (notional value)	13	53	4,239	3,386	16,806	23,137	94,457,137	117,144,058
Futures and forward contracts	1	22	1,462	1,105	3,937	3,869	11,251,439	12,949,791
Interest rate contracts	1	22	1,454	1,095	2,250	2,444	7,001,927	7,591,419
Foreign exchange contracts	0	0	8	9	1,686	1,425	4,104,943	5,176,263
All other futures and forwards	0	0	0	1	0	1	144,569	182,109
Option contracts	7	27	1,535	1,150	3,159	5,037	18,835,128	23,915,226
Interest rate contracts	4	25	1,486	1,102	2,412	4,429	15,765,729	18,755,013
Foreign exchange contracts	0	0	1	0	705	339	1,871,886	3,122,980
All other options	2	2	48	48	42	269	1,197,513	2,037,233
Swaps	5	4	1,181	1,126	9,710	14,231	60,278,870	73,730,613
Interest rate contracts	5	4	1,165	1,110	9,677	14,123	58,023,006	71,071,125
Foreign exchange contracts	0	0	0	0	0	20	2,033,723	2,284,374
All other swaps	0	0	16	16	33	88	222,141	375,114
Memoranda: Derivatives by purpose								
Contracts held for trading	0	2	53	34	4,987	6,663	88,165,565	108,279,265
Contracts not held for trading	13	51	4,125	3,348	11,819	16,474	2,199,871	2,316,365
Memoranda: Derivatives by position								
Held for trading—positive fair value	0	0	1	1	22	49	1,460,423	1,289,228
Held for trading—negative fair value	0	0	1	1	17	43	1,439,811	1,268,616
Not for trading—positive fair value	1	1	16	20	37	92	15,516	12,563
Not for trading—negative fair value	0	0	20	28	74	216	14,325	12,067

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

**Off-balance-sheet items, FDIC-insured national banks by district
Second quarter 2006
(Dollar figures in millions)**

	Northeast	Central	Western	Southern	Large Banks	Mid-Size	All Institutions
Number of institutions reporting	185	462	362	633	64	64	1,780
Unused commitments	\$16,206	\$22,820	\$22,514	\$25,666	\$4,882,894	\$195,825	\$5,166,068
Home equity lines	4,055	4,049	4,042	2,320	366,248	13,740	394,469
Credit card lines	116	711	1,413	1,327	2,997,549	129,617	3,130,734
Commercial RE, construction and land	4,552	9,028	7,787	9,255	134,389	16,095	181,145
All other unused commitments	7,483	9,032	9,272	12,764	1,384,708	36,374	1,459,720
Letters of Credit:							
Standby letters of credit	1,376	862	895	1,229	300,635	6,074	311,085
Financial letters of credit	897	579	494	838	257,258	4,898	264,973
Performance letters of credit	479	283	401	391	43,377	1,176	46,111
Commercial letters of credit	85	187	95	153	24,001	221	24,755
Securities lent	1,345	36	3	10	621,760	1,324	624,478
Spot foreign exchange contracts	0	0	134	0	898,654	71	898,859
Credit derivatives (notional value)							
Reporting bank is the guarantor	0	0	5	0	3,296,688	0	3,296,693
Reporting bank is the beneficiary	0	0	0	0	3,251,740	0	3,251,740
Derivative contracts (notional value)	8,453	2,156	6,282	2,390	117,112,207	39,096	117,170,634
Futures and forward contracts	1,593	625	1,446	298	12,934,686	16,106	12,954,786
Interest rate contracts	323	625	1,446	298	7,576,777	15,479	7,594,979
Foreign exchange contracts	1,268	0	0	0	5,176,177	251	5,177,697
All other futures and forwards	1	0	0	0	181,733	376	182,110
Option contracts	684	414	2,830	1,227	23,909,229	7,043	23,921,440
Interest rate contracts	340	401	2,794	1,223	18,752,378	3,420	18,760,569
Foreign exchange contracts	339	0	0	0	3,122,828	151	3,123,319
All other options	5	13	36	4	2,034,023	3,471	2,037,552
Swaps	6,176	1,118	2,001	865	73,719,862	15,947	73,745,974
Interest rate contracts	6,165	1,112	1,923	861	71,063,876	12,418	71,086,362
Foreign exchange contracts	10	0	0	0	2,284,374	10	2,284,394
All other swaps	1	5	78	4	371,612	3,518	375,219
Memoranda: Derivatives by purpose							
Contracts held for trading	4,390	30	12	363	108,257,281	23,887	108,285,963
Contracts not held for trading	4,063	2,127	6,265	2,027	2,306,497	15,209	2,336,238
Memoranda: Derivatives by position							
Held for trading—positive fair value	18	0	0	4	1,288,331	923	1,289,277
Held for trading—negative fair value	11	0	0	4	1,267,734	911	1,268,660
Not for trading—positive fair value	66	10	26	11	12,481	82	12,676
Not for trading—negative fair value	26	35	61	9	12,018	161	12,311

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Key indicators, FDIC-insured commercial banks
Annual 2002–2005, year-to-date through June 30, 2006, second quarter 2005, and second quarter 2006
(Dollar figures in millions)

	2002	2003	2004	2005	Preliminary 2006YTD	2005Q2	Preliminary 2006Q2
Number of institutions reporting	7,888	7,770	7,631	7,526	7,480	7,549	7,480
Total employees (FTEs)	1,745,614	1,759,517	1,815,099	1,868,156	1,912,766	1,849,153	1,912,766
Selected income data (\$)							
Net income	\$89,444	\$102,582	\$104,049	\$114,035	\$64,596	\$29,201	\$32,901
Net interest income	236,433	239,906	250,025	269,357	142,432	68,958	72,340
Provision for loan losses	48,175	34,814	26,098	26,607	10,880	5,681	5,562
Noninterest income	172,147	186,790	183,694	201,328	111,153	50,565	56,077
Noninterest expense	233,562	245,999	257,530	276,239	146,380	71,459	73,221
Net operating income	85,147	98,335	101,732	113,868	64,671	28,687	33,001
Cash dividends declared	67,536	77,838	55,635	64,265	33,461	17,124	17,585
Net charge-offs	44,515	37,914	29,108	28,508	10,190	6,058	5,363
Selected condition data (\$)							
Total assets	7,076,765	7,601,199	8,413,813	9,039,385	9,602,259	8,724,624	9,602,259
Total loans and leases	4,156,114	4,428,635	4,904,442	5,380,051	5,658,485	5,129,177	5,658,485
Reserve for losses	76,986	77,133	73,504	68,671	69,219	70,695	69,219
Securities	1,334,732	1,456,280	1,551,273	1,572,270	1,648,723	1,584,482	1,648,723
Other real estate owned	4,165	4,218	3,373	3,254	4,068	3,224	4,068
Noncurrent loans and leases	60,546	52,946	42,082	40,292	39,620	39,868	39,620
Total deposits	4,689,850	5,035,057	5,593,174	6,073,106	6,383,027	5,794,737	6,383,027
Domestic deposits	4,031,812	4,293,886	4,727,283	5,152,474	5,315,140	4,899,569	5,315,140
Equity capital	647,398	691,924	850,305	912,452	971,720	892,294	971,720
Off-balance-sheet derivatives	56,208,857	71,098,970	87,872,811	101,483,092	119,242,952	96,199,851	119,242,952
Performance ratios (annualized %)							
Return on equity	14.43	15.33	13.72	13.26	13.66	13.71	13.67
Return on assets	1.32	1.40	1.30	1.33	1.39	1.37	1.39
Net interest income to assets	3.50	3.27	3.13	3.13	3.06	3.24	3.06
Loss provision to assets	0.71	0.47	0.33	0.31	0.23	0.27	0.24
Net operating income to assets	1.26	1.34	1.27	1.32	1.39	1.35	1.40
Noninterest income to assets	2.55	2.55	2.30	2.34	2.39	2.38	2.37
Noninterest expense to assets	3.46	3.35	3.22	3.21	3.14	3.36	3.10
Loss provision to loans and leases	1.21	0.82	0.56	0.53	0.40	0.46	0.40
Net charge-offs to loans and leases	1.12	0.89	0.63	0.56	0.37	0.49	0.38
Loss provision to net charge-offs	108.22	91.82	89.66	93.33	106.77	93.77	103.71
Performance ratios (%)							
Percent of institutions unprofitable	6.64	6.02	5.87	6.31	6.35	5.56	6.43
Percent of institutions with earnings gains	72.64	59.20	64.83	66.02	60.90	64.80	60.04
Nonint. income to net operating revenue	42.13	43.78	42.35	42.77	43.83	42.31	43.67
Nonint. expense to net operating revenue	57.16	57.65	59.38	58.69	57.72	59.79	57.02
Condition ratios (%)							
Nonperforming assets to assets	0.94	0.77	0.55	0.48	0.46	0.50	0.46
Noncurrent loans to loans	1.46	1.20	0.86	0.75	0.70	0.78	0.70
Loss reserve to noncurrent loans	127.15	145.68	174.67	170.43	174.71	177.32	174.71
Loss reserve to loans	1.85	1.74	1.50	1.28	1.22	1.38	1.22
Equity capital to assets	9.15	9.10	10.11	10.09	10.12	10.23	10.12
Leverage ratio	7.83	7.85	7.82	7.91	7.92	7.95	7.92
Risk-based capital ratio	12.77	12.75	12.61	12.32	12.48	12.56	12.48
Net loans and leases to assets	57.64	57.25	57.42	58.76	58.21	57.98	58.21
Securities to assets	18.86	19.16	18.44	17.39	17.17	18.16	17.17
Appreciation in securities (% of par)	2.21	0.84	0.43	-1.11	-2.60	0.33	-2.60
Residential mortgage assets to assets	23.30	23.28	23.32	23.49	23.50	23.76	23.50
Total deposits to assets	66.27	66.24	66.48	67.18	66.47	66.42	66.47
Core deposits to assets	48.68	48.63	47.56	47.09	44.97	46.97	44.97
Volatile liabilities to assets	31.41	30.95	31.68	33.29	35.02	32.62	35.02

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Loan performance, FDIC-insured commercial banks
Annual 2002–2005, year-to-date through June 30, 2006, second quarter 2005, and second quarter 2006
(Dollar figures in millions)

	2002	2003	2004	2005	Preliminary 2006YTD	2005Q2	Preliminary 2006Q2
Percent of loans past due 30-89 days							
Total loans and leases	1.17	1.02	0.86	0.88	0.78	0.76	0.78
Loans secured by real estate (RE)	1.08	0.90	0.73	0.79	0.68	0.67	0.68
1- to 4-family residential mortgages	1.49	1.29	1.05	1.13	0.95	0.95	0.95
Home equity loans	0.59	0.45	0.37	0.54	0.48	0.39	0.48
Multifamily residential mortgages	0.46	0.48	0.36	0.51	0.42	0.36	0.42
Commercial RE loans	0.68	0.56	0.49	0.50	0.47	0.45	0.47
Construction RE loans	0.89	0.69	0.58	0.61	0.56	0.53	0.56
Commercial and industrial loans	0.89	0.72	0.64	0.69	0.58	0.55	0.58
Loans to individuals	2.22	2.08	1.82	1.72	1.70	1.58	1.70
Credit cards	2.72	2.53	2.24	2.00	2.10	1.96	2.10
Installment loans and other plans	2.08	1.93	1.62	1.66	1.57	1.43	1.57
All other loans and leases	0.58	0.48	0.38	0.40	0.37	0.35	0.37
Percent of loans noncurrent							
Total loans and leases	1.46	1.20	0.86	0.75	0.70	0.78	0.70
Loans secured by real estate (RE)	0.89	0.86	0.65	0.70	0.66	0.66	0.66
1- to 4-family residential mortgages	0.93	1.00	0.82	1.03	0.91	0.89	0.91
Home equity loans	0.30	0.24	0.18	0.25	0.27	0.18	0.27
Multifamily residential mortgages	0.38	0.38	0.35	0.34	0.41	0.37	0.41
Commercial RE loans	0.94	0.90	0.69	0.60	0.58	0.66	0.58
Construction RE loans	0.98	0.70	0.44	0.37	0.42	0.40	0.42
Commercial and industrial loans	2.93	2.10	1.17	0.75	0.68	0.93	0.68
Loans to individuals	1.51	1.53	1.46	1.20	1.20	1.28	1.20
Credit cards	2.24	2.22	2.00	1.80	1.92	1.70	1.92
Installment loans and other plans	1.14	1.14	1.12	0.84	0.79	1.07	0.79
All other loans and leases	1.01	0.66	0.40	0.29	0.24	0.36	0.24
Percent of loans charged-off, net							
Total loans and leases	1.12	0.89	0.63	0.56	0.37	0.49	0.38
Loans secured by real estate (RE)	0.15	0.17	0.08	0.06	0.06	0.06	0.06
1- to 4-family residential mortgages	0.14	0.19	0.08	0.07	0.07	0.06	0.06
Home equity loans	0.19	0.20	0.10	0.10	0.13	0.10	0.13
Multifamily residential mortgages	0.08	0.03	0.04	0.04	0.03	0.04	0.04
Commercial RE loans	0.15	0.13	0.07	0.05	0.03	0.07	0.04
Construction RE loans	0.17	0.14	0.05	0.03	0.03	0.01	0.04
Commercial and industrial loans	1.76	1.26	0.50	0.27	0.22	0.23	0.26
Loans to individuals	3.33	3.04	2.81	2.81	1.88	2.47	1.95
Credit cards	6.37	5.56	5.01	4.80	3.30	4.48	3.57
Installment loans and other plans	1.46	1.45	1.28	1.39	0.92	1.03	0.90
All other loans and leases	1.15	0.80	0.31	0.46	0.11	0.06	0.11
Loans outstanding (\$)							
Total loans and leases	\$4,156,114	\$4,428,635	\$4,904,442	\$5,380,051	\$5,658,485	\$5,129,177	\$5,658,485
Loans secured by real estate (RE)	2,068,284	2,272,803	2,625,448	2,987,158	3,161,732	2,817,549	3,161,732
1- to 4-family residential mortgages	945,841	994,121	1,082,685	1,226,331	1,286,524	1,159,699	1,286,524
Home equity loans	214,722	284,511	398,894	431,194	451,794	434,890	451,794
Multifamily residential mortgages	71,934	79,678	87,920	97,938	98,636	92,610	98,636
Commercial RE loans	555,990	602,719	667,623	739,056	768,100	698,097	768,100
Construction RE loans	207,451	231,514	290,641	392,410	450,501	338,655	450,501
Farmland loans	38,066	40,699	44,620	47,750	50,016	46,309	50,016
RE loans from foreign offices	34,280	39,559	53,066	52,479	56,160	47,289	56,160
Commercial and industrial loans	910,810	869,489	907,854	1,019,627	1,096,680	979,337	1,096,680
Loans to individuals	703,568	770,322	838,756	836,790	827,103	813,679	827,103
Credit cards	275,786	315,839	371,421	354,768	331,151	338,523	331,151
Other revolving credit plans	38,209	37,556	39,158	40,685	42,719	39,608	42,719
Installment loans	389,573	416,927	428,177	441,338	453,232	435,548	453,232
All other loans and leases	476,854	518,890	535,592	539,451	575,223	521,536	575,223
Less: Unearned income	3,401	2,870	3,208	2,975	2,252	2,925	2,252

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Key indicators, FDIC-insured commercial banks by asset size Second quarter 2005 and second quarter 2006 (Dollar figures in millions)

	Less than \$100M		\$100M to \$1B		\$1B to \$10B		Greater than \$10B	
	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2
Number of institutions reporting	3,571	3,403	3,524	3,593	370	395	84	89
Total employees (FTEs)	68,893	64,832	299,604	303,331	233,793	244,586	1,246,863	1,300,017
Selected income data (\$)								
Net income	\$483	\$458	\$3,189	\$3,444	\$3,517	\$3,874	\$22,011	\$25,125
Net interest income	1,816	1,744	9,412	10,024	8,735	9,550	48,995	51,022
Provision for loan losses	92	81	524	481	479	561	4,586	4,439
Noninterest income	442	455	3,175	3,221	4,917	5,085	42,031	47,316
Noninterest expense	1,551	1,539	7,765	8,160	7,917	8,272	54,226	55,251
Net operating income	484	462	3,189	3,437	3,507	3,882	21,508	25,220
Cash dividends declared	286	293	1,542	2,275	1,983	2,179	13,312	12,838
Net charge-offs	56	43	348	285	410	425	5,245	4,611
Selected condition data (\$)								
Total assets	185,702	177,955	968,030	1,019,689	992,510	1,090,664	6,578,382	7,313,951
Total loans and leases	116,080	112,587	660,001	707,571	644,306	715,573	3,708,790	4,122,754
Reserve for losses	1,662	1,555	8,703	8,963	8,406	9,199	51,924	49,501
Securities	45,912	41,384	202,667	201,370	224,519	222,831	1,111,384	1,183,138
Other real estate owned	255	223	1,023	1,012	461	508	1,485	2,324
Noncurrent loans and leases	1,086	1,013	4,418	4,430	4,032	4,212	30,333	29,966
Total deposits	154,197	146,938	782,650	828,005	691,112	776,447	4,166,778	4,631,636
Domestic deposits	154,183	146,921	781,308	826,642	682,459	766,250	3,281,620	3,575,327
Equity capital	22,039	21,720	98,107	102,470	107,919	120,071	664,228	727,459
Off-balance-sheet derivatives	123	165	9,226	10,676	67,986	97,247	96,853,426	120,084,234
Performance ratios (annualized %)								
Return on equity	8.90	8.42	13.27	13.55	13.32	13.25	14.00	13.91
Return on assets	1.05	1.03	1.34	1.37	1.44	1.45	1.38	1.39
Net interest income to assets	3.95	3.92	3.95	3.98	3.58	3.57	3.07	2.83
Loss provision to assets	0.20	0.18	0.22	0.19	0.20	0.21	0.29	0.25
Net operating income to assets	1.05	1.04	1.34	1.36	1.44	1.45	1.35	1.40
Noninterest income to assets	0.96	1.02	1.33	1.28	2.02	1.90	2.63	2.63
Noninterest expense to assets	3.38	3.46	3.26	3.24	3.25	3.09	3.39	3.07
Loss provision to loans and leases	0.32	0.29	0.32	0.28	0.30	0.32	0.51	0.44
Net charge-offs to loans and leases	0.20	0.16	0.22	0.16	0.26	0.24	0.59	0.45
Loss provision to net charge-offs	162.60	187.55	150.78	168.74	116.84	132.22	87.45	96.28
Performance ratios (%)								
Percent of institutions unprofitable	9.61	11.34	1.93	2.48	2.43	1.52	0.00	0.00
Percent of institutions with earnings gains	57.83	53.81	70.37	64.76	78.11	70.13	69.05	62.92
Nonint. income to net operating revenue	19.59	20.70	25.22	24.32	36.02	34.74	46.17	48.12
Nonint. expense to net operating revenue	68.70	69.98	61.69	61.61	57.99	56.52	59.57	56.18
Condition ratios (%)								
Nonperforming assets to assets	0.72	0.70	0.56	0.53	0.45	0.44	0.49	0.44
Noncurrent loans to loans	0.94	0.90	0.67	0.63	0.63	0.59	0.82	0.73
Loss reserve to noncurrent loans	153.10	153.54	197.00	202.35	208.51	218.44	171.18	165.19
Loss reserve to loans	1.43	1.38	1.32	1.27	1.30	1.29	1.40	1.20
Equity capital to assets	11.87	12.21	10.13	10.05	10.87	11.01	10.10	9.95
Leverage ratio	11.77	12.42	9.61	9.71	9.46	9.52	7.36	7.31
Risk-based capital ratio	18.36	18.97	14.01	13.88	13.63	13.28	12.05	12.03
Net loans and leases to assets	61.61	62.39	67.28	68.51	64.07	64.77	55.59	55.69
Securities to assets	24.72	23.26	20.94	19.75	22.62	20.43	16.89	16.18
Appreciation in securities (% of par)	-0.27	-2.40	-0.03	-2.34	-0.07	-2.38	0.50	-2.69
Residential mortgage assets to assets	20.11	19.17	21.10	20.15	24.78	21.55	24.10	24.36
Total deposits to assets	83.03	82.57	80.85	81.20	69.63	71.19	63.34	63.33
Core deposits to assets	69.74	68.02	65.72	64.32	55.50	55.11	42.29	40.20
Volatile liabilities to assets	15.61	17.08	19.72	21.66	27.07	28.08	35.84	38.36

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Loan performance, FDIC-insured commercial banks by asset size
Second quarter 2005 and second quarter 2006
(Dollar figures in millions)

	Less than \$100M		\$100M to \$1B		\$1B to \$10B		Greater than \$10B	
	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2
Percent of loans past due 30-89 days								
Total loans and leases	1.22	1.25	0.80	0.79	0.60	0.68	0.76	0.79
Loans secured by real estate (RE)	1.13	1.19	0.69	0.72	0.45	0.55	0.70	0.69
1- to 4-family residential mortgages	1.65	1.71	1.09	1.10	0.64	0.81	0.96	0.92
Home equity loans	0.50	0.70	0.39	0.48	0.33	0.46	0.39	0.48
Multifamily residential mortgages	0.53	0.69	0.47	0.59	0.25	0.42	0.36	0.36
Commercial RE loans	0.90	0.96	0.53	0.57	0.39	0.44	0.40	0.40
Construction RE loans	0.77	0.91	0.56	0.58	0.42	0.51	0.56	0.55
Commercial and industrial loans	1.38	1.36	1.01	0.92	0.85	0.85	0.42	0.48
Loans to individuals	2.28	2.28	1.74	1.54	1.21	1.47	1.59	1.72
Credit cards	1.95	1.98	3.43	2.73	1.14	1.38	1.98	2.13
Installment loans and other plans	2.33	2.32	1.63	1.49	1.29	1.57	1.39	1.56
All other loans and leases	0.67	0.66	0.51	0.55	0.45	0.49	0.32	0.34
Percent of loans noncurrent								
Total loans and leases	0.94	0.90	0.67	0.63	0.63	0.59	0.82	0.73
Loans secured by real estate (RE)	0.81	0.82	0.60	0.58	0.56	0.54	0.69	0.70
1- to 4-family residential mortgages	0.91	0.87	0.66	0.66	0.67	0.66	0.95	0.97
Home equity loans	0.24	0.22	0.19	0.22	0.19	0.27	0.17	0.28
Multifamily residential mortgages	0.47	0.67	0.42	0.50	0.24	0.34	0.41	0.41
Commercial RE loans	0.85	0.92	0.68	0.61	0.67	0.58	0.62	0.54
Construction RE loans	0.49	0.63	0.40	0.47	0.39	0.44	0.40	0.37
Commercial and industrial loans	1.48	1.32	1.00	0.90	0.92	0.82	0.91	0.62
Loans to individuals	0.87	0.84	0.68	0.60	0.50	0.56	1.39	1.30
Credit cards	1.17	1.15	1.95	2.03	0.93	1.23	1.73	1.95
Installment loans and other plans	0.88	0.85	0.57	0.49	0.37	0.34	1.23	0.87
All other loans and leases	0.91	0.84	0.67	0.51	0.62	0.47	0.30	0.19
Percent of loans charged-off, net								
Total loans and leases	0.20	0.16	0.22	0.16	0.26	0.24	0.59	0.45
Loans secured by real estate (RE)	0.06	0.04	0.06	0.05	0.06	0.06	0.06	0.07
1- to 4-family residential mortgages	0.07	0.07	0.05	0.07	0.07	0.08	0.06	0.06
Home equity loans	0.03	0.10	0.06	0.05	0.10	0.13	0.11	0.13
Multifamily residential mortgages	0.37	0.05	0.05	0.05	0.03	0.05	0.03	0.03
Commercial RE loans	0.06	0.04	0.07	0.04	0.08	0.05	0.06	0.03
Construction RE loans	0.05	0.04	0.02	0.05	0.01	0.03	0.00	0.04
Commercial and industrial loans	0.50	0.41	0.49	0.40	0.37	0.50	0.17	0.20
Loans to individuals	0.75	0.61	1.18	0.94	1.43	1.12	2.67	2.11
Credit cards	2.48	1.86	6.25	5.54	3.45	2.19	4.51	3.62
Installment loans and other plans	0.72	0.58	0.66	0.49	0.76	0.74	1.11	0.97
All other loans and leases	0.09	0.08	0.30	0.15	0.25	0.27	0.03	0.10
Loans outstanding (\$)								
Total loans and leases	\$116,080	\$112,587	\$660,001	\$707,571	\$644,306	\$715,573	\$3,708,790	\$4,122,754
Loans secured by real estate (RE)	72,927	71,525	482,894	524,616	431,930	486,258	1,829,798	2,079,333
1- to 4-family residential mortgages	27,758	26,199	136,848	141,823	124,533	121,923	870,560	996,578
Home equity loans	2,543	2,383	26,339	25,905	35,326	33,850	370,682	389,656
Multifamily residential mortgages	1,615	1,569	17,233	18,258	24,179	26,923	49,582	51,887
Commercial RE loans	22,655	22,149	193,352	204,584	162,421	180,893	319,669	360,474
Construction RE loans	8,298	9,468	87,932	110,765	77,329	112,266	165,096	218,003
Farmland loans	10,057	9,757	21,160	23,254	7,187	8,655	7,905	8,352
RE loans from foreign offices	0	1	29	28	956	1,749	46,304	54,383
Commercial and industrial loans	18,527	17,747	102,592	106,900	122,044	134,365	736,175	837,667
Loans to individuals	11,106	10,001	45,014	43,523	61,027	61,477	696,532	712,103
Credit cards	172	183	4,194	3,731	15,605	16,159	318,553	311,078
Other revolving credit plans	177	183	1,436	1,528	2,282	2,163	35,713	38,846
Installment loans	10,757	9,634	39,385	38,264	43,140	43,155	342,266	362,179
All other loans and leases	13,588	13,374	30,095	33,111	29,819	34,121	448,035	494,616
Less: Unearned income	67	60	594	579	514	649	1,750	965

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Off-balance-sheet items, FDIC-insured commercial banks
Annual 2002–2005, year-to-date through June 30, 2006, second quarter 2005, and second quarter 2006
(Dollar figures in millions)

	2002	2003	2004	2005	Preliminary 2006YTD	2005Q2	Preliminary 2006Q2
Number of institutions reporting	7,888	7,770	7,631	7,526	7,480	7,549	7,480
Unused commitments	\$5,312,641	\$5,395,215	\$5,813,673	\$6,177,823	\$6,591,232	\$5,839,852	\$6,591,232
Home equity lines	248,045	314,129	393,506	473,810	510,864	442,989	510,864
Credit card lines	3,352,608	3,386,476	3,526,159	3,525,070	3,734,596	3,387,553	3,734,596
Commercial RE, construction and land	164,663	187,857	249,379	323,249	344,093	284,843	344,093
All other unused commitments	1,547,325	1,506,754	1,644,629	1,855,694	2,001,679	1,724,467	2,001,679
Letters of Credit:							
Standby letters of credit	269,193	288,613	337,708	367,339	404,200	346,147	404,200
Financial letters of credit	227,448	242,217	288,630	313,044	348,534	297,144	348,534
Performance letters of credit	41,744	46,395	49,077	54,295	55,666	49,003	55,666
Commercial letters of credit	22,607	24,236	28,369	28,243	29,088	29,268	29,088
Securities lent	582,326	851,980	1,165,311	1,368,100	1,615,444	1,299,779	1,615,444
Spot foreign exchange contracts	195,883	273,038	418,835	430,912	949,369	730,910	949,369
Credit derivatives (notional value)							
Reporting bank is the guarantor	291,346	471,459	1,127,101	2,681,083	3,297,599	1,892,435	3,297,599
Reporting bank is the beneficiary	350,169	529,198	1,219,593	3,140,937	3,271,824	2,212,791	3,271,824
Derivative contracts (notional value)	56,208,857	71,098,970	87,872,811	101,483,092	119,242,952	96,199,851	119,242,952
Futures and forward contracts	11,376,170	11,400,204	11,364,572	12,055,589	13,788,212	11,917,961	13,788,212
Interest rate contracts	7,380,246	7,212,780	6,520,258	7,059,609	7,761,500	7,098,572	7,761,500
Foreign exchange contracts	3,865,759	4,078,891	4,716,750	4,828,106	5,839,621	4,674,442	5,839,621
All other futures and forwards	130,165	108,532	127,564	167,874	187,091	144,947	187,091
Option contracts	11,574,288	14,613,199	17,749,889	18,868,954	24,446,901	19,264,566	24,446,901
Interest rate contracts	9,897,725	12,542,023	14,950,427	15,160,373	19,213,457	16,152,602	19,213,457
Foreign exchange contracts	910,932	1,299,696	1,734,365	2,359,620	3,168,820	1,899,439	3,168,820
All other options	765,631	771,480	1,065,098	1,348,961	2,064,625	1,212,526	2,064,625
Swaps	32,616,884	44,084,911	56,411,655	64,736,529	74,438,416	60,912,097	74,438,416
Interest rate contracts	31,195,203	42,107,453	54,048,037	62,299,388	71,746,927	58,597,885	71,746,927
Foreign exchange contracts	1,303,654	1,805,416	2,155,470	2,100,661	2,298,863	2,078,327	2,298,863
All other swaps	118,026	172,041	208,148	336,480	392,625	235,886	392,625
Memoranda: Derivatives by purpose							
Contracts held for trading	53,460,317	67,730,113	82,916,939	93,046,331	110,058,658	89,596,934	110,058,658
Contracts not held for trading	2,107,025	2,368,200	2,609,178	2,614,741	2,614,871	2,497,690	2,614,871
Memoranda: Derivatives by position							
Held for trading—positive fair value	1,134,845	1,147,402	1,308,177	1,209,218	1,304,769	1,477,147	1,304,769
Held for trading—negative fair value	1,118,099	1,127,517	1,283,865	1,193,453	1,285,209	1,457,397	1,285,209
Not for trading—positive fair value	36,321	25,877	20,151	14,795	15,414	17,736	15,414
Not for trading—negative fair value	25,755	22,771	18,371	14,747	15,811	16,753	15,811

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Off-balance-sheet items, FDIC-insured commercial banks by asset size Second quarter 2005 and second quarter 2006 (Dollar figures in millions)

	Less than \$100M		\$100M to \$1B		\$1B to \$10B		Greater than \$10B	
	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2	2005Q2	2006Q2
Number of institutions reporting	3,571	3,403	3,524	3,593	370	395	84	89
Unused commitments	\$72,140	\$39,609	\$283,443	\$319,423	\$876,351	\$1,005,744	\$4,607,917	\$5,226,456
Home equity lines	1,804	1,873	21,817	23,708	33,026	36,715	386,343	448,568
Credit card lines	53,496	20,843	124,370	167,343	669,659	750,663	2,540,028	2,795,747
Commercial RE, construction and land	5,008	5,107	50,723	56,683	58,454	73,853	170,658	208,451
All other unused commitments	11,832	11,786	86,534	71,690	115,212	144,513	1,510,889	1,773,690
Letters of Credit:								
Standby letters of credit	492	515	7,052	7,275	17,298	17,707	321,304	378,704
Financial letters of credit	316	330	4,404	4,423	13,150	13,125	279,274	330,656
Performance letters of credit	176	185	2,648	2,852	4,148	4,582	42,030	48,048
Commercial letters of credit	88	88	677	753	1,892	2,172	26,610	26,074
Securities lent	30	19	166	566	4,763	4,344	1,294,821	1,610,514
Spot foreign exchange contracts	0	0	2	29	421	853	730,487	948,488
Credit derivatives (notional value)								
Reporting bank is the guarantor	0	0	4	5	96	207	1,892,334	3,297,387
Reporting bank is the beneficiary	0	0	61	1	2,817	28	2,209,914	3,271,795
Derivative contracts (notional value)	123	165	9,224	10,648	67,565	96,394	96,122,939	119,135,746
Futures and forward contracts	21	45	2,258	2,136	9,600	17,068	11,906,082	13,768,963
Interest rate contracts	21	45	2,242	1,988	7,051	10,048	7,089,258	7,749,419
Foreign exchange contracts	0	0	8	141	2,533	2,829	4,671,901	5,836,651
All other futures and forwards	0	0	8	7	16	4,191	144,923	182,893
Option contracts	69	89	3,266	4,705	17,674	14,069	19,243,557	24,428,039
Interest rate contracts	43	68	3,082	4,544	14,465	11,774	16,135,012	19,197,072
Foreign exchange contracts	0	0	1	0	1,701	1,290	1,897,737	3,167,529
All other options	26	21	183	161	1,509	1,005	1,210,808	2,063,438
Swaps	33	31	3,635	3,800	37,378	65,022	60,871,052	74,369,562
Interest rate contracts	20	22	3,550	3,713	36,913	64,228	58,557,402	71,678,964
Foreign exchange contracts	0	0	0	6	344	615	2,077,983	2,298,242
All other swaps	13	9	85	81	121	179	235,668	392,356
Memoranda: Derivatives by purpose								
Contracts held for trading	2	8	193	160	13,908	34,168	89,582,832	110,024,323
Contracts not held for trading	121	157	8,966	10,481	50,744	61,992	2,437,859	2,542,241
Memoranda: Derivatives by position								
Held for trading—positive fair value	0	0	2	6	156	734	1,476,989	1,304,029
Held for trading—negative fair value	0	0	3	3	150	686	1,457,245	1,284,520
Not for trading—positive fair value	3	4	46	72	221	431	17,465	14,907
Not for trading—negative fair value	2	2	60	95	370	773	16,322	14,941

Glossary

Data Sources

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

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

Computation Methodology

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

Definitions

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

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

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

IBIS—the OCC's Integrated Banking Information System.

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

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

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

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

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

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

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

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

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

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

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

Residential mortgage assets—the sum of 1- to 4-family residential mortgages plus mortgage-backed securities.

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

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

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

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

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

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

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



25th Anniversary

RECENT LICENSING
DECISIONS

RECENT LICENSING DECISIONS

Cases Published during April, May, and June 2006

Community Reinvestment Act (CRA) Decisions

On January 15, 2006, the OCC approved an application to merge Community Bank of Central California, Salinas, California, into Rabobank, National Association, El Centro, California, (Rabobank) under the charter and title of the latter. The OCC received comments from two community organizations expressing concern with the need for fairly priced financial products and services for California's low-income, rural population, including farm workers. Rabobank met with the community organizations and is exploring the development of products that would meet these needs. [CRA Decision No. 134]

Charters

On March 27, 2006, the OCC granted preliminary conditional approval to an organizing group to establish a new national bank with the title of RepublicBankAz, National Association, to be located in Phoenix, Arizona. The conditional approval was subject to standard conditions imposed on a newly chartered institution. The conditions are enforceable under 12 CFR 1818. [Conditional Approval No. 736]

Corporate Reorganization

On May 3, 2006, the OCC granted conditional approval for Canyon National Bank, Palm Springs, California, to become a subsidiary of a holding company. The application was subject to the standard conditions and the continued compliance with the commitment letter signed by the Agua Caliente Band of Cahuilla Indians (Tribe) on February 6, 1998. The commitment letter addresses federal banking agency jurisdiction over and the applicability of federal banking laws to the Tribe and activities and transactions between the Tribe and the bank, including an irrevocable waiver of sovereign immunity by the tribe and its affiliates. These conditions are enforceable by 12 CFR 1818. [Conditional Approval No. 743]



25th Anniversary

SPECIAL SUPERVISION AND
ENFORCEMENT ACTIVITIES

SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

The Special Supervision Division of the Mid-Size/Community Bank Supervision department supervises critical problem banks through rehabilitation or through other resolution processes such as orderly failure management or the sale, merger, or liquidation of such institutions. The Special Supervision Division monitors the supervision of delegated problem banks, coordinates safety and soundness examinations, provides training, analyzes and disseminates information, and supports OCC supervisory objectives as an advisor and liaison to OCC management and field staff on emerging problem bank-related issues.

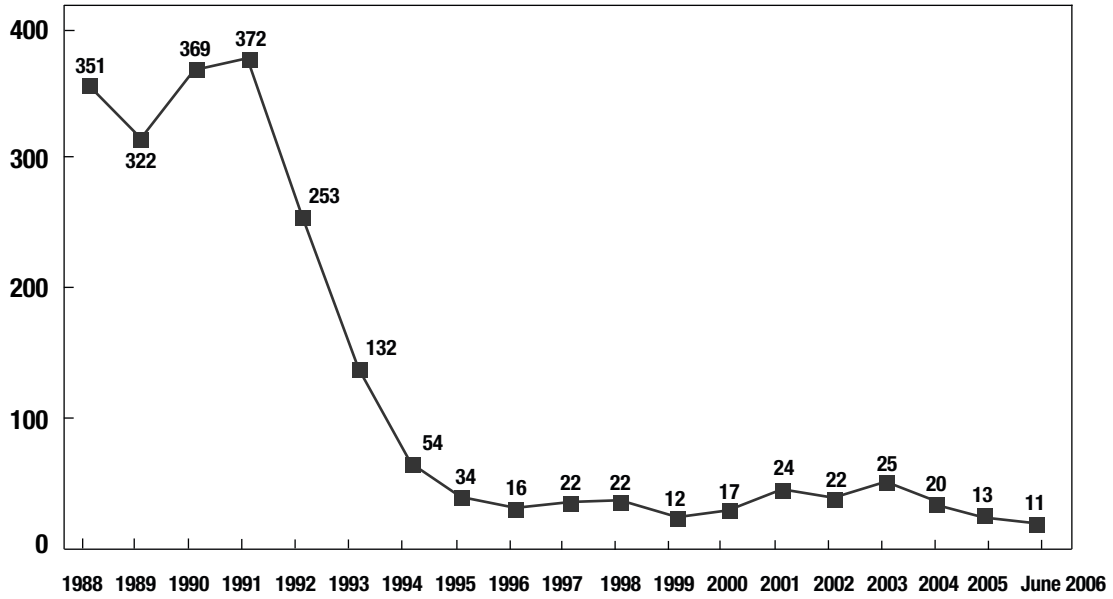
This section includes information on problem national banks, national bank failures, and enforcement actions. Data on problem banks and bank failures is provided by OCC's Special Supervision Division and the FDIC's Department of Resolutions in Washington. Information on enforcement actions is provided by the Enforcement and Compliance Division (E&C) of the Law Department. The latter is principally responsible for presenting and litigating administrative actions on the OCC's behalf against banks requiring special supervision.

Problem National Banks and National Bank Failures

Problem banks represented less than 1 percent of the national bank population as of June 30, 2006. The number of problem banks, those with a CAMELS rating of 4 or 5, has declined in recent years. The CAMELS rating is the composite bank rating based on examiner assessment of capital, asset quality, management, earnings, liquidity, and sensitivity to market risk. The total number of problem banks is 11 at June 30, 2006. This low volume of problem banks reflects the stable economy and generally favorable economic conditions of the past several years. No banks have failed in 2006 as of June 30.

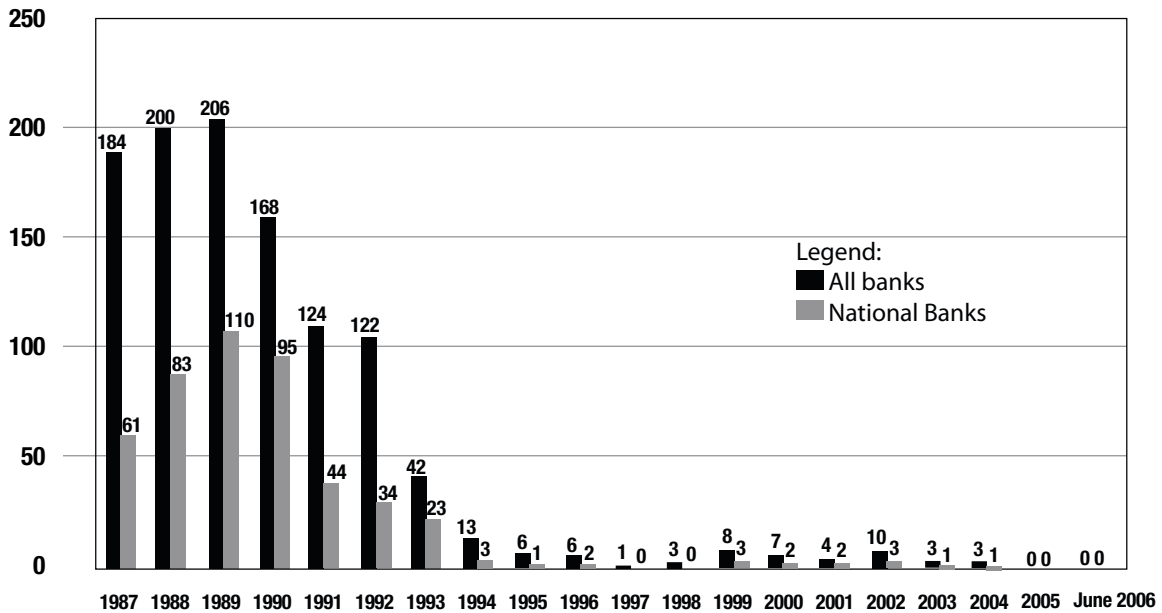
SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

Figure 1—Problem national bank historical trend line



Source: Special Supervision

Figure 2—Number of bank failures



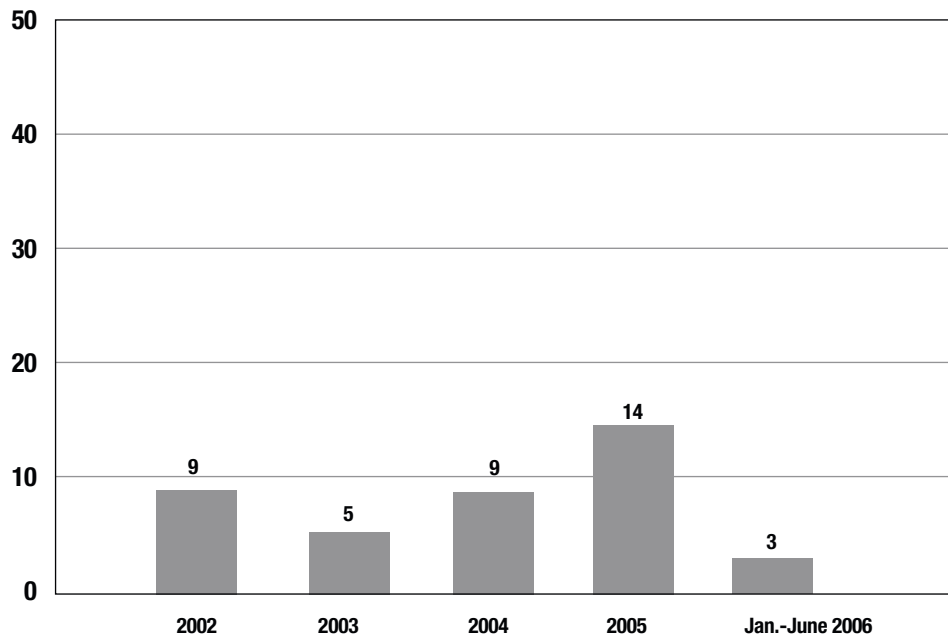
Source: Federal Deposit Insurance Corporation

Enforcement Actions

The OCC has a number of remedies with which to carry out its supervisory responsibilities. When it identifies safety and soundness or compliance problems, these remedies range from advice and moral suasion to informal and formal enforcement actions. These mechanisms are designed to achieve expeditious corrective and remedial action to return the bank to a safe and sound condition.

The OCC takes enforcement actions against national banks, parties affiliated with national banks, and servicing companies that provide data processing and other services to national banks. The OCC's informal enforcement actions against banks include commitment letters and memorandums of understanding (MOUs). Informal enforcement actions are meant to handle less serious supervisory problems identified by the OCC in its supervision of national banks. Failure to honor informal enforcement actions will provide strong evidence of the need for the OCC to take formal enforcement action. The charts below show total numbers of the various types of informal enforcement actions completed by the OCC against banks in the last several years.

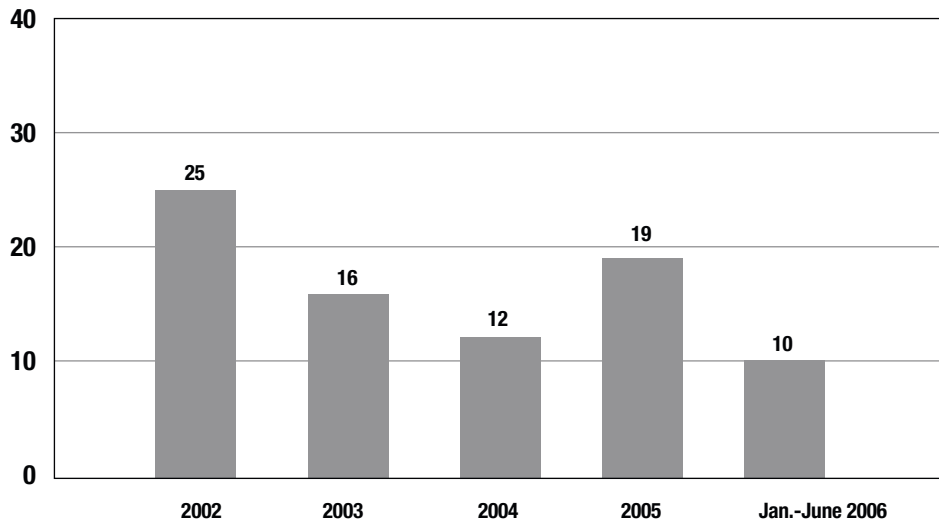
Figure 3—Commitment letters



Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

Figure 4—Memorandums of understanding

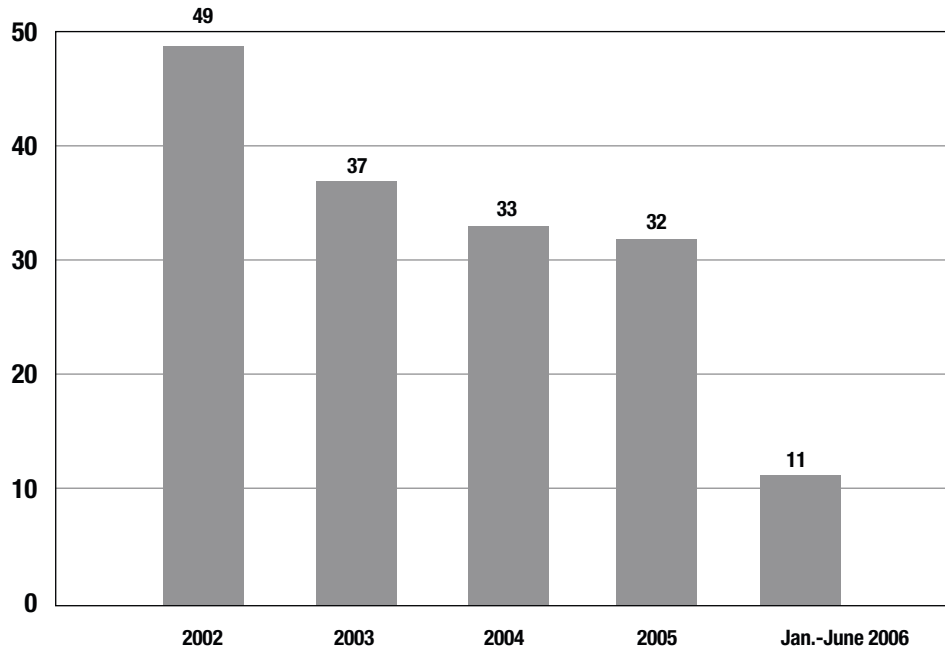


Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

The most common types of formal enforcement actions issued by the OCC against banks over the past several years have been formal agreements and cease-and-desist orders. Formal agreements are documents signed by a national bank's board of directors and the OCC in which specific corrective and remedial measures are enumerated as necessary to return the bank to a safe and sound condition. Cease-and-desist orders (C&Ds), sometimes issued as consent orders, are similar in content to formal agreements, but may be enforced either through assessment of civil money penalties (CMPs) or by an action for injunctive relief in federal district court. The OCC may also assess CMPs against banks, and through June 30, 2006 the OCC assessed CMPs against 5 banks.

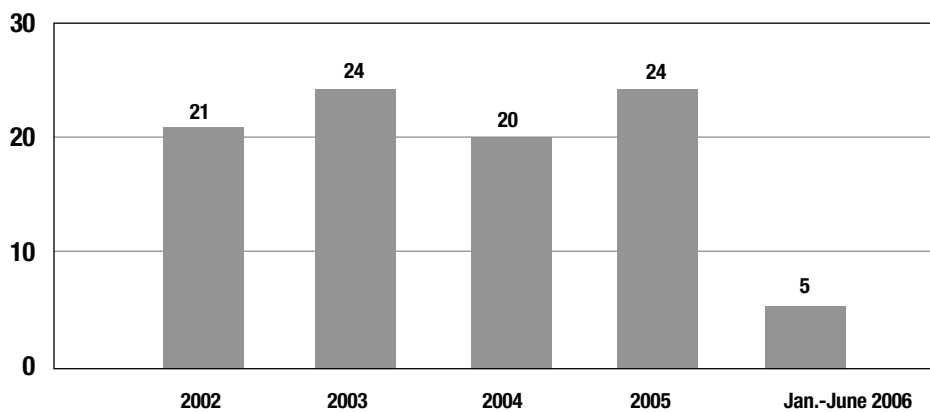
SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

Figure 5—Formal agreements



Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

Figure 6—Cease-and-desist orders against banks



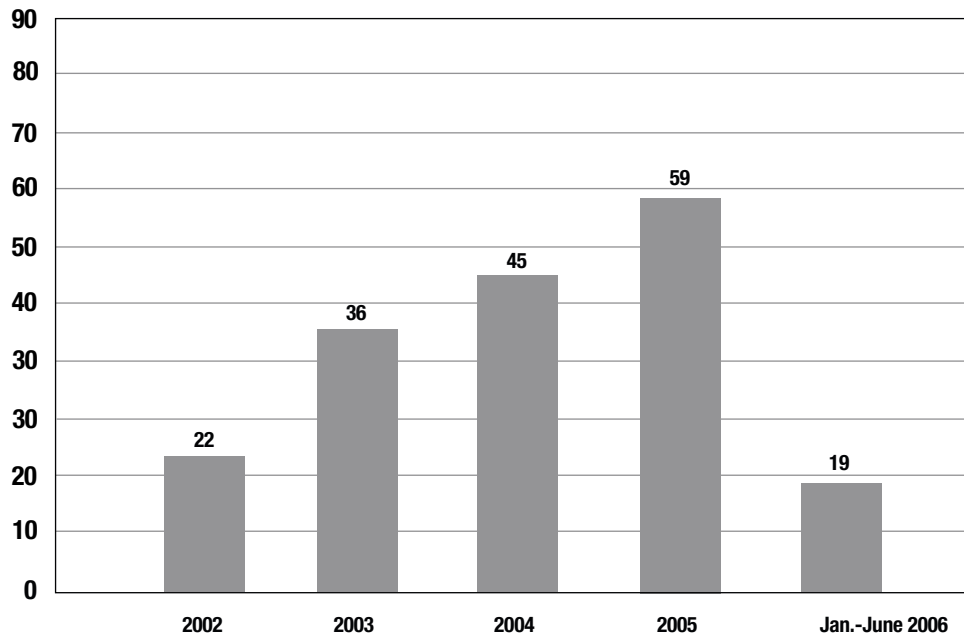
Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

The most common enforcement actions against individuals and other institution-affiliated parties are CMPs, personal C&Ds, and removal and prohibition orders. CMPs are authorized for viola-

SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

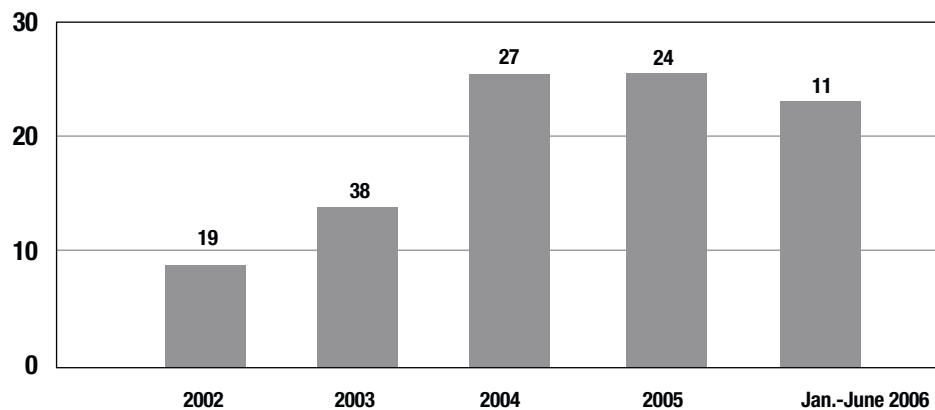
tions of laws, rules, regulations, formal written agreements, final orders, conditions imposed in writing, unsafe or unsound banking practices, and breaches of fiduciary duty. Personal C&Ds may be used to restrict activities, order payment of restitution, or require institution-affiliated parties to take other affirmative action to correct the results of past conduct. Removal and prohibition actions, which are used in the most serious cases, result in lifetime bans from the banking industry.

Figure 7—Civil money penalties against institution-affiliated parties



Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

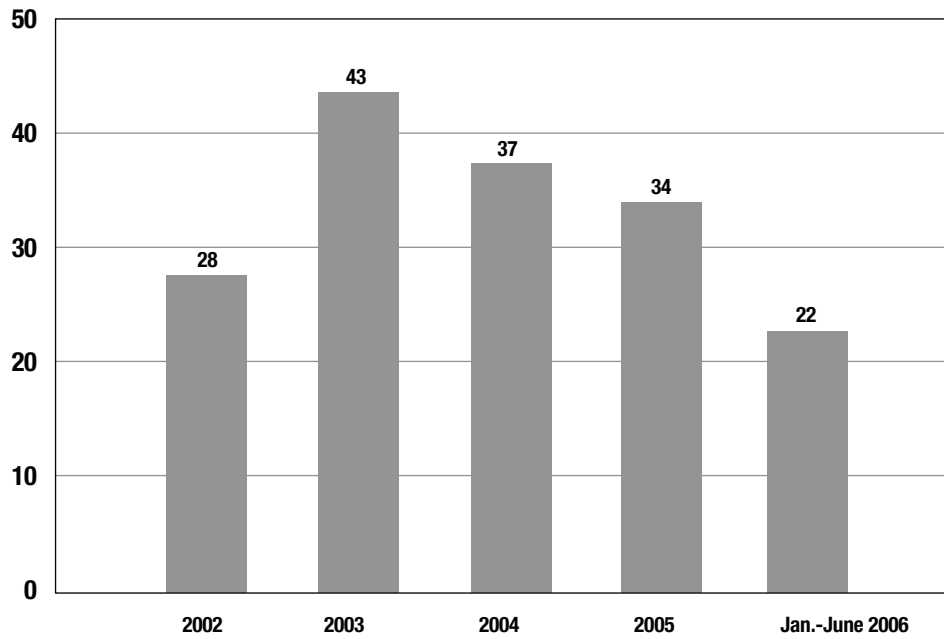
Figure 8—Cease-and-desist orders against institution-affiliated parties



Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

Figure 9—Removal and prohibition orders



Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

Recent Enforcement Cases

Below are summaries of the significant cases completed between January 1 and June 30, 2006:

A. Actions Involving Anti-Money Laundering/Bank Secrecy Act Compliance

Banks ordered to comply with BSA/AML provisions. The OCC issued cease-and-desist orders by consent against banks for failing to maintain adequate BSA/AML compliance programs, requiring the banks to take remedial action. *In the Matter of The Summit National Bank, Atlanta, Ga.*, Doc. No. 2006-2 (January 19, 2006); *In the Matter of Pinebank, N.A., Miami, Fla.*, Doc. No. 2006-1 (January 25, 2006).

Federal branch ordered to restrict activities. The federal branch of a foreign bank was found to have internal controls weaknesses. The branch consented to an order requiring it, among other things, to restrict its wire transfer and demand draft activities until such time as it implemented an adequate BSA/AML program. *In the Matter of Bangkok Bank Public Company Limited, New York, N.Y. (federal branch)*, Doc. No. 2006-29 (April 20, 2006).

Federal branch ordered to pay penalty. A federal branch of a foreign bank was found to have failed to implement policies and procedures to ensure compliance with BSA requirements, resulting in inadequate BSA systems and controls, and to have failed to file timely suspicious activity reports. The branch agreed to an order requiring payment of a \$150,000 civil money penalty. *In the Matter of Metropolitan Bank & Trust, New York, N.Y. (federal branch)*, Doc. No. 2006-19 (March 24, 2006).

Order issued against bank, and bank officer prohibited and ordered to pay fine. The OCC issued a cease-and-desist order by consent against a bank for an inadequate BSA/AML program and for failing on multiple occasions to file suspicious activity reports. In addition, the bank's former president and CEO agreed to the OCC's issuance of prohibition and cease-and-desist orders and assessment of a \$100,000 civil money penalty for allegedly issuing and concealing millions of dollars' worth of unsafe or unsound loan guarantees to an entity engaged in suspicious activities. The cease-and-desist order required the former president, among other things, to make restitution of \$407,000 to the bank, reimburse the bank \$100,000 for expenses, and to indemnify the bank for half of any judgments against the bank related to the worthless guarantees. The two orders replaced an earlier order by consent that required the bank to preserve its books and records and to observe restrictions on making loans and allowing overdrafts on customer accounts. *In the Matter of Terrabank N.A., Miami, Fla.*, Doc. No. 2006-41 (May 9, 2006); *In the Matter of Uriel Mendieta*, Doc. No. 2006-45 (May 25, 2006).

B. Actions to Combat Identity Theft

Actions against bank insiders. The OCC issued two prohibition orders by consent and the Federal Reserve issued a prohibition order in proceedings initiated by the OCC against former bank employees in cases involving loss to bank customers due to identity theft committed by bank employees or by third parties who received confidential customer information from bank employees. One individual was ordered to pay a fine and two were ordered to pay restitution. *In the Matter of Onyeacholem Moseri, First North American National Bank, Kennesaw, Ga.*, Doc. Nos. 2006-36 (March 23, 2006) and 2006-30 (March 30, 2006); *In the Matter of Konya M. Owens, First Union National Bank, Charlotte, N.C.*, Doc. No. 2006-37 (April 26, 2006); *In the Matter of Tiffany D. (Holt) Lipscomb, Wachovia Bank, N.A., Charlotte, N.C.*, Doc. No. 2006-78 (May 23, 2006).

C. Actions to Enforce Flood Insurance Requirements

Banks ordered to pay fines for flood insurance violations. During the first half of 2006, the OCC assessed civil money penalties by consent totaling \$14,700 against four banks for failure to comply with federal regulations requiring flood insurance for certain properties located in special flood hazard areas that secure loans made by national banks. The penalties were paid to the National Flood Insurance Program. *In the Matter of The Farmers National Bank of Danville, Danville, Ky.*, Doc. No. 2006-3 (January 18, 2006); *In the Matter of First Fidelity Bank, N.A., Oklahoma City, Okla.*, Doc. No. 2006-20 (March 30, 2006); *In the Matter of Fort Knox National Bank, Radcliff, Ky.*, Doc. No. 2006-31 (April 10, 2006); *In the Matter of First National Bank, Fort Collins, Colo.*, Doc. No. 2006-124 (June 6, 2006).

D. Actions to Combat Insider Abuse

Former bank president prohibited. The OCC issued a prohibition order by consent against a former bank president for allegedly causing the bank to make loans significantly in excess of the bank's legal lending limit (which led to closure of the bank), creating false bank records, and engaging in a fraudulent wire transaction. Criminal proceedings are ongoing. *In the Matter of Mark R. Hardyman, The First National Bank of Blanchardville, Blanchardville, Wis.*, Doc. No. 2006-8 (January 26, 2006).

Former bank president prohibited and ordered to pay fine. The OCC issued a prohibition order by consent and assessed a \$100,000 civil money penalty against a former bank president who allegedly caused the bank to make unauthorized payments for personal expenses totaling at least \$388,000 for himself and his family members. The former president had made restitution of the unauthorized payments, prior to the OCC's action. *In the Matter of Eldon B. "Brac" Thoma III, First National Bank of Tullahoma, Tullahoma, Tenn.*, Doc. No. 2006-64 (June 5, 2006).

E. Early Intervention for Problem Banks

Second order issued against problem bank. In 2005, the OCC issued a cease-and-desist order by consent against a bank and assessed a civil money penalty by consent against an officer of the bank for alleged violations of laws and regulations governing legal lending limits, insider loans, and affiliate transactions. In 2006, the OCC issued a second cease-and-desist order by consent requiring the bank to restore and maintain its books and records in a complete and accurate condition. *In the Matter of The First National Bank of Brewster, Brewster, Minn.*, Doc. No. 2006-12 (February 28, 2006).

Actions against bank's officers and directors. The OCC issued prohibition orders by consent and assessed civil money penalties of \$5,000 each against two former senior bank officers for alleged embezzlement of bank funds and for assisting other executive officers' misconduct. The OCC also assessed civil money penalties ranging from \$7,500 to \$10,000 against four bank directors for inadequate oversight of the affairs of the bank and for the bank's failure to comply with a 2002 formal agreement with the OCC. The bank has been purchased by another financial institution. Further enforcement actions are pending. *In the Matter of Judy R. Davis, First National Bank of Shelby County, Columbiana, Ala.*, Doc. No. 2006-59 (June 5, 2006); *In the Matter of Russell J. Rasco*, Doc. No. 2006-61 (May 31, 2006); *In the Matter of A. Duncan McFarlane*, Doc. No. 2006-60 (June 29, 2006); *In the Matter of Martha B. Ferguson*, Doc. No. 2006-42 (May 31, 2006); *In the Matter of Robert A. Hayes*, Doc. No. 2006-43 (May 31, 2006); *In the Matter of Joe L. Tidmore*, Doc. No. 2006-44 (May 23, 2006).

F. Fast Track Enforcement Cases

The OCC continued its Fast Track Enforcement program, initiated in 1996, which ensures that bank insiders who have engaged in criminal and other serious acts in banks but who are not being criminally prosecuted are prohibited from working in the banking industry. As part of the Fast Track Enforcement program, the OCC secured eight prohibition orders against institution-affiliated parties from January 1, 2006, through June 30, 2006. Four of these orders incorporated restitution to the appropriate bank for losses incurred, and one of the orders incorporated a civil money penalty. During the same period, the OCC sent out notifications to 67 former bank employees who were convicted of crimes of dishonesty; the letters informed them that under federal law they are prohibited from working again in any federally insured depository institution.



25th Anniversary

APPEALS PROCESS

APPEALS PROCESS

1. Appeal of Composite and CAMEL Ratings

Background

The boards of directors of a group of banks, collectively, appealed to the Ombudsman the composite and CAMELS ratings assigned by the supervisory office in the most recent report of examination.

The banks expressed concern that they were being evaluated collectively as a complex institution rather than as less complex, separate, and independent institutions. While all the banks appealed their composite rating, they each appealed different component ratings. The banks requested that the supervisory office apply the rating summary matrix and description on risk management systems relative to a bank's size, complexity, and risk profile as stated in OCC Bulletin 97-1, "Uniform Financial Institutions Rating System and Disclosure of Component Ratings," (January 7, 1997).

Discussion

The Ombudsman conducted a review of the information submitted by the banks and supporting documentation from the supervisory office. The review included discussions with the banks' senior management as well as with members of the supervisory office.

While the chosen corporate structure is comprised of individually chartered financial institutions, it is evident from these discussions that the bank management teams are significantly influenced by one major principal. Additionally, the organizational structure provides for centralized decision-making and back-room operations. Furthermore, the Ombudsman found that risk management systems throughout the banks warrant significant improvement in the areas of credit administration, nonaccrual accounting, and budget reporting.

Conclusion

The Ombudsman concluded that the composite and CAMELS ratings as assigned by the supervisory office in the report of examination were appropriate. The Ombudsman encouraged the banks to strengthen their overall risk management practices in the lending area and formalize their planning and budgeting processes to assist them in addressing potential risk exposures.

2. Appeal of Memorandum of Understanding

Background

The bank's board of directors appealed the supervisory office's decision not to remove the Memorandum of Understanding (MOU). The bank has been rated a 2 for the last three years and the board believes that the most recent examination indicates stronger results in all areas except for earnings. The bank is in compliance with all articles except for the article related to earnings performance.

The board believes that they have met the intent of the MOU. While earnings are marginal, they are consistent with the strategic plan which includes expenses associated with the opening of a new branch. The supervisory office believes that compliance with the article regarding the profit plan cannot be achieved until the bank demonstrates sustained earnings.

Discussion and Conclusions

The Ombudsman conducted a review of the information submitted by the bank and supporting documentation from the supervisory office. The review included discussions with the bank's senior management as well as with members of the supervisory office.

The Ombudsman concluded that the existing MOU had served its intended purpose and should be terminated. The bank's board of directors had demonstrated a commitment to institutionalize a culture of risk controls and processes that will serve the institution well.

3. Appeal of a Nonaccrual Status

Background

The boards of directors of a group of banks, collectively, appealed to the Ombudsman a decision rendered by the supervisory office to place a group of loans on nonaccrual status. The banks also appealed the supervisory office's directive to re-file the Consolidated Reports of Condition and Income (call reports).

The various bank boards disagreed with the nonaccrual status because they consider the loans "well secured" and "in the process of collection" within the context of the call report instructions. The boards requested that the Ombudsman's office review these loans to determine if accrual status on the affected loans is appropriate, thereby negating the need to re-file the call reports.

APPEALS PROCESS

Discussion

The Ombudsman conducted a review of the information submitted by the bank and supporting documentation from the supervisory office. The review included discussions with the banks' senior management as well as with members of the supervisory office.

The Ombudsman's analysis specifically focused on the issue of whether the loans were "well secured" and "in the process of collection," as defined in the call report instructions. While the affected loans were collateralized by improved real estate, the value of the collateral was not supported by current independent appraisals or a comprehensive analysis that substantiated the banks' basis of valuation. The appraisals maintained by the banks were outdated and did not provide full assurance that all principal, interest, and accruing fees would be received. Furthermore, the guarantor provided no significant financial support to the credits due to an illiquid cash position and a high level of contingent liabilities.

A legal process was initiated by the borrower, with support from the bank, to have a court appointed receiver control the liquidation of the company. While the Ombudsman acknowledged that a legal process was initiated as of a given quarter, there was no assurance that the loans would be restored to a current status within a reasonable time frame.

Conclusion

The Ombudsman concluded that the nonaccrual designation assigned by the supervisory office was appropriate. While the banks had taken steps to support "in the process of collection," there was inadequate support for "well secured." The banks were directed to place the loans on nonaccrual as of the same quarter the legal process was initiated and to reverse all accrued and uncollected interest, and other fees. Any interest income recorded since the particular quarter in question should be applied towards principal until the remaining recorded investment in the asset (i.e., after charge off of identified losses, if any) is deemed fully collectible. Additionally, the banks were directed to make the adjusting accounting entries and re-file the affected call reports.



25th Anniversary

SPEECHES AND
CONGRESSIONAL TESTIMONY

SPEECHES AND CONGRESSIONAL TESTIMONY

4/6/2006, Comptroller Dugan Tells Bankers Commercial Real Estate Concentrations Raise Concerns, but Can Be Safe if Effectively Managed, speech (www.occ.treas.gov/ftp/release/2006-45a.pdf)

4/20/2006, Comptroller Dugan Expresses Concern about New Types of Mortgages That Offer Low Initial Monthly Payments, but Higher Payments Later, speech (www.occ.treas.gov/ftp/release/2006-48a.pdf)

5/3/2006, Comptroller Dugan Underscores Banks' Responsibility to Serve Credit Needs of All Community Members, speech (www.occ.treas.gov/ftp/release/2006-55a.pdf)

5/19/2006, Comptroller Dugan Tells Bankers That Supervisory Process Must Support a Competitive, Safe and Sound Banking Industry, speech (www.occ.treas.gov/ftp/release/2006-61a.pdf)

6/7/2006, OCC Chief of Staff Walsh Discusses Mortgage Guidance at National Housing Advisory Council, speech (www.occ.treas.gov/ftp/release/2006-68a.pdf)

6/8/2006, Comptroller Dugan Discusses Basel II Capital Accord, speech (www.occ.treas.gov/ftp/release/2006-69a.pdf)

6/10/2006, Comptroller Dugan and OCC Volunteers Help Improve Transitional Housing in Northeast DC during NeighborWorks® Week Event, speech (www.occ.treas.gov/ftp/release/2006-70a.pdf)

6/21/2006, OCC Deputy Comptroller Jaedicke Testifies before House Subcommittee on Bank Secrecy Act's Impact upon Money Services Businesses, testimony (www.occ.treas.gov/ftp/release/2006-76a.pdf)



25th Anniversary



INTERPRETATIONS

INTERPRETATIONS

April [Interpretations and Actions]

1056, 3/29/2006, Letter concludes that a national bank may engage in customer-driven, perfectly matched, cash-settled derivative transactions on reference assets permitted under OCC Interpretive Letter No. 1039 (September 13, 2005), with the exception of emissions allowances, and on frozen concentrate orange juice, low density polyethylene and polypropylene, provided the bank's examiner-in-charge is satisfied that the bank has adequate risk management and measurement systems and controls to conduct the activities on a safe and sound basis.

May [Interpretations and Actions]

1057, 6/14/2005, Letter confirms the appropriate capital treatment of a multipurpose loan commitment where the borrower has the option to utilize the commitment in one of several ways, including a standby letter of credit.

1058, 4/20/2005, Interagency letter addressing the risk-based capital treatment of structured second mortgages.

1059, 4/13/2006, Letter concludes that a national bank may engage in customer-driven, perfectly matched, cash-settled derivative transactions (such as swaps, options, forwards, caps, floors, collars, and futures) where payments are based on prices of (i) polypropylene: injection molding (copoly) (2,6); (ii) old corrugated cardboard #11 (OCC 11); and (iii) the Dow Jones AIG Commodity Index, provided the bank's examiner-in-charge is satisfied that the bank has adequate risk management and measurement systems and controls to conduct the activities on a safe and sound basis.

1060, 4/26/2006, Letter concludes that a national bank may engage in customer-driven coal derivative transactions that settle in cash or by transitory title transfer and that are hedged on a portfolio basis with derivative and spot transactions that settle in cash or by transitory title transfer, provided the bank's examiner-in-charge is satisfied that the bank has adequate risk management and measurement systems and controls to conduct the activities on a safe and sound basis.

INTERPRETATIONS

1061, 4/28/2006, Letter states that loans secured by insured non-negotiable certificates of deposit issued by other institutions do not qualify for the exception in the legal lending limit for loans secured by certain other loans (12 CFR 32.3(c)(3)(i)(B)) nor for the additional lending limit described in 12 CFR 32.3(a) for loans secured by readily marketable collateral.

1062, 4/24/2006, Letter grants request of certain affiliated banks of a waiver from Part 12's requirement that bank officers and employees who make investment recommendations or decisions for customers must report their personal transactions in securities to the bank within 10 business days after the end of the calendar quarter.



25th Anniversary

MERGERS

MERGERS—APRIL 1 TO JUNE 30, 2006

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MERGERS

Mergers—April 1 to June 30, 2006

Nonaffiliated mergers (mergers consummated involving two or more nonaffiliated operating banks), from April 1 to June 30, 2006, by state

State	Title and location	Charter number	Total assets
California	Pacific Western National Bank, Santa Monica	(017423)	2,690,160,000
	and Foothill Independent Bank, Glendora, California		793,339,000
	merged on May 9, 2006, under the title of Pacific Western National Bank, Santa Monica	(017423)	3,657,952,000
Florida	Seacoast National Bank, Stuart	(014838)	1,779,102,000
	and Big Lake National Bank, Okeechobee, Florida	(020494)	307,121,000
	merged on June 1, 2006, under the title of Seacoast National Bank, Stuart	(014838)	2,110,088,000
Georgia	The Summit National Bank, Atlanta	(021484)	533,823,000
	and Concord Bank, National Association, Houston, Texas	(017772)	111,965,000
	merged on April 1, 2006, under the title of The Summit National Bank, Atlanta	(021484)	639,016,000
Kansas	Armed Forces Bank, National Association, Ft. Leavenworth	(008796)	680,389,000
	and Fort Riley National Bank, Fort Riley, Kansas	(015637)	28,834,000
	merged on June 23, 2006, under the title of Armed Forces Bank, National Association, Ft. Leavenworth	(008796)	719,223,000
	The First National Bank of Independence, Independence, Kansas	(008145)	47,814,000
	and Olathe State Bank, Olathe, Colorado		61,028,000
merged on June 23, 2006, under the title of The First National Bank of Independence, Independence, Kansas	(008145)	47,814,000	
New York	The Bank of East Asia (USA), National Association, New York	(024440)	485,710,000
	and National American Bank, San Francisco, California	(018095)	89,388,000
	merged on May 19, 2006 under the title of The Bank of East Asia (USA), National Association, New York	(024440)	584,127,000
South Carolina	First Community Bank, National Association, Lexington	(022808)	465,593,000
	and The Bank of Camden, Camden, South Carolina		46,325,000
	merged on June 9, 2006, under the title of First Community Bank, National Association, Lexington	(022808)	516,767,000

MERGERS

Nonaffiliated merger—thrift (merger consummated involving nonaffiliated national bank and savings and loan association), from April 1 to June 30, 2006

State	Title and location	Charter number	Total assets
Florida	Commercebank, National Association, Coral Gables and Florida Savings Bank, Pinecrest, Florida	(016804)	4,111,124,000 136,245,000
	merged on May 5, 2006, under the title of Commercebank, National Association, Coral Gables	(016804)	4,237,526,000

MERGERS

Affiliated mergers (mergers consummated involving affiliated operating banks), from April 1 to June 30, 2006, by state

State	Title and location	Charter number	Total assets
Kentucky	Citizens National Bank of Paintsville, Paintsville and Heritage Bank of Ashland, Inc., Ashland, Kentucky merged on June 17, 2006, under the title of Citizens National Bank of Paintsville, Paintsville	(013023)	355,000,000 83,000,000
		(013023)	439,000,000
New York	United States Trust Company, National Association, New York and U.S. Trust Company, National Association, Greenwich, Connecticut merged on March 31, 2006, under the title of United States Trust Company, National Association, New York	(024645) (022413)	7,400,215,000 3,539,067,000
		(024645)	10,350,585,000
Oklahoma	The Yukon National Bank, Yukon and Peoples Bank, Oklahoma City, Oklahoma merged on February 1, 2006, under the title of The Yukon National Bank, Yukon	(010196) (010196)	172,792,000 33,163,000 205,088,000
South Dakota	Wells Fargo Bank, National Association, Sioux Falls and State Bank of Rogers, Rogers, Minnesota merged on June 17, 2006, under the title of Wells Fargo Bank, National Association, Sioux Falls	(001741) (001741)	403,258,000,000 83,014,000 403,352,314,000
Texas	American Bank of Texas, National Association, Marble Falls and State Bank & Trust of Seguin, Texas, Seguin, Texas merged on April 1, 2006, under the title of American Bank of Texas, National Association, Marble Falls	(017003) (017003)	304,659,000 273,648,000 578,307,000
	The Frost National Bank, San Antonio and Alamo Bank of Texas, Alamo, Texas merged on June 23, 2006, under the title of The Frost National Bank, San Antonio	(005179) (005179)	11,010,358,000 313,260,000 11,532,885,000
Virginia	The National Bank of Blacksburg, Blacksburg and Bank of Tazewell County, Tazewell, Virginia merged on May 26, 2006, under the title of The National Bank of Blacksburg, Blacksburg	(012229) (012229)	481,805,000 342,234,000 824,039,000
	American National Bank and Trust Company, Danville and Community First Bank, Lynchburg, Virginia merged on April 1, 2006, under the title of American National Bank and Trust Company, Danville	(009343) (009343)	610,481,000 159,740,000 794,925,000
	First National Bank, Christiansburg and FNB Salem Bank & Trust, National Association, Salem, Virginia and Bedford Federal Savings Bank, National Association, Bedford, Virginia merged on May 19, 2006, under the title of First National Bank, Christiansburg	(007937) (021516) (024549) (007937)	793,523,000 401,840,000 306,034,000 1,475,075,000



25th Anniversary

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

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CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

Changes in the corporate structure of the national banking system, by state, January 1 to June 30, 2006

	In operation January 1, 2006	Organized and open for business	12 USC 214						In operation June 30, 2006
			Merged	Voluntary liquidations	Payouts	Converted to non-national institutions	Merged with non-national institutions		
Alabama	24	0	0	0	0	1	1	22	
Alaska	4	0	0	0	0	0	0	4	
Arizona	15	2	0	0	0	0	1	16	
Arkansas	40	0	2	0	0	0	0	38	
California	79	3	2	0	0	0	2	78	
Colorado	43	0	0	0	0	0	2	41	
Connecticut	10	1	2	0	0	0	0	9	
Delaware	16	0	0	0	0	0	0	16	
District of Columbia	4	0	0	0	0	0	0	4	
Florida	65	0	1	0	0	0	1	63	
Georgia	52	0	0	1	0	0	2	49	
Hawaii	1	0	0	0	0	0	0	1	
Idaho	2	0	0	0	0	0	0	2	
Illinois	152	3	1	0	0	1	1	153 ¹	
Indiana	34	0	1	0	0	0	1	32	
Iowa	46	0	1	0	0	0	0	45	
Kansas	93	0	1	0	0	0	1	91	
Kentucky	39	0	0	0	0	0	0	39	
Louisiana	15	0	0	0	0	0	0	15	
Maine	4	0	0	0	0	0	0	4	
Maryland	10	0	0	0	0	0	0	10	
Massachusetts	18	0	0	0	0	0	0	18	
Michigan	23	1	0	0	0	0	0	24	
Minnesota	108	0	0	0	0	2	2	103 ²	
Mississippi	19	0	0	0	0	0	1	18	
Missouri	47	0	0	0	0	0	0	47	
Montana	14	0	0	0	0	0	0	14	
Nebraska	64	0	0	0	0	3	0	61	
Nevada	8	0	0	0	0	0	0	8	
New Hampshire	2	0	0	0	0	0	0	2	
New Jersey	22	1	0	1	0	0	1	20 ³	
New Mexico	14	0	0	0	0	0	0	14	
New York	58	3	1	0	0	1	0	60 ⁴	
North Carolina	4	0	0	0	0	0	0	4	
North Dakota	13	0	0	0	0	0	0	13	
Ohio	81	0	2	0	0	0	0	79	
Oklahoma	82	1	0	0	0	1	0	82	
Oregon	3	0	0	0	0	0	0	3	
Pennsylvania	73	0	0	0	0	2	1	70	
Rhode Island	4	0	0	0	0	0	0	4	
South Carolina	23	2	1	0	0	0	0	24	
South Dakota	19	0	0	0	0	0	0	19	
Tennessee	27	0	1	0	0	0	0	26	
Texas	302	2	3	0	0	1	5	295	
Utah	6	0	1	0	0	0	0	5	
Vermont	8	0	0	0	0	0	0	8	

¹ +1 Relocated from Minnesota.

² -1 Relocated to Illinois.

³ -1 Relocated to New York.

⁴ +1 Relocated from New Jersey.

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

Changes in the corporate structure of the national banking system, by state, January 1 to June 30, 2006 (continued)

	In operation January 1, 2006	Organized and open for business	12 USC 214					In operation June 30, 2006
			Merged	Voluntary liquidations	Payouts	Converted to non-national institutions	Merged with non-national institutions	
Virginia	40	0	2	0	0	0	1	37
Washington	11	0	0	0	0	0	0	11
West Virginia	15	0	0	0	0	0	0	15
Wisconsin	39	0	0	0	0	0	0	39
Wyoming	13	1	0	0	0	0	0	14
Totals:	1,908	20	22	2	0	12	23	1,869

Notes: The column "organized and opened for business" includes all state banks converted to national banks as well as newly formed national banks. The column titled "merged" includes all mergers, consolidations, and purchases and assumptions of branches in which the resulting institution is a nationally chartered bank. Also included in this column are immediate FDIC-assisted "merger" transactions in which the resulting institution is a nationally chartered bank. The column titled "voluntary liquidations" includes only straight liquidations of national banks. No liquidation pursuant to a purchase and assumption transaction is included in this total. Liquidations resulting from purchases and assumptions are included in the "merged" column. The column titled "payouts" includes failed national banks in which the FDIC is named receiver and no other depository institution is named as successor. The column titled "merged with non-national institutions" includes all mergers, consolidations, and purchases and assumptions of branches in which the resulting institution is a non-national institution. Also included in this column are immediate FDIC-assisted "merger" transactions in which the resulting institution is a non-national institution.

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

Applications for new, full-service national bank charters, approved and denied, by state, January 1 to June 30, 2006

State	Title and location	Approved
Arizona	Commercial Bank Arizona, National Association, Mesa	June 30, 2006
	RepublicBankAz, National Association, Phoenix	March 27, 2006
Florida	Seaside National Bank & Trust, Orlando	June 27, 2006
	Southern Commerce Bank, National Association, Tampa	May 30, 2006
	Southwest Capital Bank, National Association, Fort Myers	February 3, 2006
Illinois	Old Plank Trail Community Bank, National Association, New Lenox	January 4, 2006
Texas	LANB Interim National Bank, Sugar Land	June 9, 2006
	Texas Citizens Bank, National Association, Pasadena	February 24, 2006
Virginia	First National Bank of Virginia, Virginia Beach	February 22, 2006
Wyoming	Commerce Bank of Wyoming, National Association, Rock Springs	March 31, 2006

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

Applications for new, limited-purpose national bank charters, approved and denied, by state, January 1 to June 30, 2006

State	Title and location	Approved
Delaware	LaSalle National Trust Delaware, Wilmington	April 21, 2006
Indiana	First Indiana Trust Company, National Association, Indianapolis	June 22, 2006

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

New, full-service national bank charters issued, January 1 to June 30, 2006

State	Title and location	Charter number	Date opened
Arizona	First Fidelity Bank, National Association, Phoenix	024642	April 6, 2006
	Sonoran Bank, National Association, Phoenix	024623	June 26, 2006
California	Northern California National Bank, Chico	024626	March 28, 2006
Illinois	Old Plank Trail Community Bank, National Association, New Lenox	024646	March 16, 2006
	Centrust Bank, National Association, Deerfield	024617	April 14, 2006
Michigan	First National Bank of Michigan, Kalamazoo	024637	April 12, 2006
New York	New York National Bank II, Yonkers	024603	January 1, 2006
South Carolina	BankMeridian, National Association, Columbia	024625	May 18, 2006
South Carolina	Harbor National Bank, Charleston	024624	February 14, 2006
Texas	Texas Citizens Bank, National Association, Pasadena	024640	May 3, 2006
	CF Interim National Bank, San Antonio	024615	October 7, 2005
Wyoming	Commerce Bank of Wyoming, National Association, Rock Springs	024654	May 22, 2006

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

State-chartered banks converted to full-service national banks, January 1 to June 30, 2006

State Title and location	Charter number	Effective date	Total assets
California Vineyard Bank, National Association conversion of Vineyard Bank, Rancho Cucamonga	024650	May 10, 2006	1,678,924,000
Illinois Park National Bank conversion of Pullman Bank and Trust, Chicago	024634	January 1, 2006	1,189,858,000
New Jersey Enterprise National Bank N.J. conversion of Enterprise Bank, Kenilworth	024620	January 2, 2006	53,461,000
New York United States Trust Company, National Association conversion of United States Trust Company of New York, New York	024645	March 31, 2006	7,400,215,000
Oklahoma First National Bank conversion of First State Bank of Idabel, Idabel	024643	February 15, 2006	93,268,000

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

Nonbanking institution converted to a full-service national bank, January 1 to June 30, 2006

State	Title and location	Charter number	Effective date	Total assets
California	Western Financial Bank, National Association conversion of Western Financial Bank, Irvine	024648	March 1, 2006	15,652,000,000

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

Nonbanking institutions converted to limited-purpose national banks, January 1 to June 30, 2006

State Title and location	Charter number	Effective date	Total assets
Connecticut			
Deutsche Bank Trust Company Connecticut, National Association conversion of Deutsche Bank Trust Company Connecticut Ltd., Greenwich	024453	January 17, 2006	6,696,000
New York			
Deutsche Bank Trust Company, National Association conversion of Deutsche Bank Trust Company, New York	024452	January 17, 2006	134,270,000

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

Applications for national bank charters, by state and charter type, January 1 to June 30, 2006¹

	Received	Approved	Denied	Charters issued					
				New, full-service national bank charters issued	New, limited-purpose national bank charters issued	Full-service national charters issued to converting state-chartered banks	Limited-purpose national charters issued to converting state-chartered banks	Full-service national charters issued to converting nonbanking institutions	Limited-purpose national charters issued to converting nonbanking institutions
Alabama	0	0	0	0	0	0	0	0	0
Alaska	0	0	0	0	0	0	0	0	0
Arizona	5	2	0	2	0	0	0	0	0
Arkansas	0	0	0	0	0	0	0	0	0
California	1	0	0	1	0	1	0	1	0
Colorado	0	0	0	0	0	0	0	0	0
Connecticut	0	0	0	0	0	0	0	0	1
Delaware	4	1	0	0	0	0	0	0	0
District of Columbia	0	0	0	0	0	0	0	0	0
Florida	2	3	0	0	0	0	0	0	0
Georgia	1	0	0	0	0	0	0	0	0
Hawaii	0	0	0	0	0	0	0	0	0
Idaho	0	0	0	0	0	0	0	0	0
Illinois	0	1	0	2	0	1	0	0	0
Indiana	1	1	0	0	0	0	0	0	0
Iowa	0	0	0	0	0	0	0	0	0
Kansas	1	0	0	0	0	0	0	0	0
Kentucky	0	0	0	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0	0	0	0
Maine	0	0	0	0	0	0	0	0	0
Maryland	1	0	0	0	0	0	0	0	0
Massachusetts	0	0	0	0	0	0	0	0	0
Michigan	0	0	0	1	0	0	0	0	0
Minnesota	0	0	0	0	0	0	0	0	0
Mississippi	0	0	0	0	0	0	0	0	0
Missouri	0	0	0	0	0	0	0	0	0
Montana	0	0	0	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0	0	0	0
Nevada	1	0	0	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0	0	0	0
New Jersey	0	0	0	0	0	1	0	0	0
New Mexico	0	0	0	0	0	0	0	0	0
New York	2	0	0	1	0	1	0	0	1
North Carolina	1	0	0	0	0	0	0	0	0
North Dakota	0	0	0	0	0	0	0	0	0
Ohio	1	0	0	0	0	0	0	0	0
Oklahoma	0	0	0	0	0	1	0	0	0
Oregon	0	0	0	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0
South Carolina	1	0	0	2	0	0	0	0	0
South Dakota	0	0	0	0	0	0	0	0	0
Tennessee	1	0	0	0	0	0	0	0	0
Texas	2	2	0	2	0	0	0	0	0
Utah	0	0	0	0	0	0	0	0	0
Vermont	0	0	0	0	0	0	0	0	0

¹ These figures may also include new national banks chartered to acquire a failed institution, trust company, credit card bank, and other limited charter national banks.

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

Applications for national bank charters, by state and charter type, January 1 to June 30, 2006¹ (continued)

	Received	Approved	Denied	Charters issued					
				New, full-service national bank charters issued	New, limited-purpose national bank charters issued	Full-service national charters issued to converting state-chartered banks	Limited-purpose national charters issued to converting state-chartered banks	Full-service national charters issued to converting nonbanking institutions	Limited-purpose national charters issued to converting nonbanking institutions
Virginia	1	1	0	0	0	0	0	0	0
Washington	0	0	0	0	0	0	0	0	0
West Virginia	0	0	0	0	0	0	0	0	0
Wisconsin	0	0	0	0	0	0	0	0	0
Wyoming	1	1	0	1	0	0	0	0	0
American Samoa	0	0	0	0	0	0	0	0	0
Canal Zone	0	0	0	0	0	0	0	0	0
Fed St. of Micronesia	0	0	0	0	0	0	0	0	0
Guam	0	0	0	0	0	0	0	0	0
No. Mariana Is.	0	0	0	0	0	0	0	0	0
Midway Islands	0	0	0	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0	0	0	0
Trust Territories	0	0	0	0	0	0	0	0	0
Virgin Islands	0	0	0	0	0	0	0	0	0
Wake Island	0	0	0	0	0	0	0	0	0
Total	27	12	0	12	0	5	0	1	2

¹ These figures may also include new national banks chartered to acquire a failed institution, trust company, credit card bank, and other limited charter national banks.

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

Voluntary liquidations of national banks, January 1 to June 30, 2006

State Title and location	Charter number	Effective date	Total assets
Georgia Belk National Bank, Lawrenceville	023726	January 31, 2006	0
New Jersey Alger National Trust Company, Jersey City	024231	May 8, 2006	0

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

National banks merged out of the national banking system, January 1 to June 30, 2006

State	Title and location	Charter number	Effective date
Alabama	First National Bank of Shelby County, Columbiana	014590	February 17, 2006
Arizona	Johnson Bank Arizona, National Association, Phoenix	018684	June 19, 2006
California	Calnet Business Bank, National Association, Sacramento Western Sierra National Bank, Sacramento	024102 018029	March 3, 2006 June 3, 2006
Colorado	The First National Bank of Arvada, Arvada First National Bank, Telluride	007501 018787	March 17, 2006 January 1, 2006
Florida	First National Bank, Orange Park	023660	March 3, 2006
Georgia	First National Bank of South Georgia, Albany First National Bank, St. Marys	022042 021709	February 10, 2006 December 16, 2005
Illinois	University National Bank, Chicago	014467	April 5, 2006
Indiana	Bank Calumet National Association, Hammond	014379	May 12, 2006
Kansas	The First National Bank of Hoxie, Hoxie	005687	April 1, 2006
Minnesota	Midwest Bank, Parkers Prairie Centennial National Bank, Walker	006661 023157	February 13, 2006 March 31, 2006
Mississippi	Consumer National Bank, Jackson	016500	May 31, 2006
New Jersey	Minotola National Bank, Vineland	010440	April 21, 2006
Pennsylvania	The Hoblitzell National Bank of Hyndman, Hyndman	006615	January 12, 2006
Texas	Western National Bank, Amarillo First-Nichols National Bank of Kenedy, Kenedy First Independent National Bank, Plano First National Bank of Sachse, Sachse Southern National Bank of Texas, Sugar Land	015372 012187 023447 018125 018475	January 6, 2006 February 28, 2006 May 16, 2006 January 3, 2006 April 1, 2006
Virginia	FBR National Trust Company, Arlington	024087	February 14, 2006

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

National banks converted out of the national banking system, January 1 to June 30, 2006

State	Title and location	Charter number	Effective date	Total assets
Alabama	First Southern National Bank, Stevenson	009855	November 30, 2005	166,035,000
Illinois	The First National Bank of Manhattan, Manhattan	008713	December 27, 2005	98,961,000
Minnesota	First Security Bank Evansville National Association, Evansville	023459	March 30, 2006	33,928,000
	The Lake Bank, National Association, Two Harbors	024048	December 29, 2005	78,608,000
Nebraska	Citizens National Bank in Loup City, Loup City	024280	May 1, 2006	10,291,000
	First Central Bank McCook, National Association, McCook	023734	February 15, 2006	39,453,000
	The First National Bank of Newman Grove, Newman Grove	005282	December 12, 2005	29,625,000
New York	New York National Bank II, Yonkers	024603	January 1, 2006	130,000,000
Oklahoma	Community National Bank, Alva	018305	June 14, 2006	43,457,000
Pennsylvania	The First National Bank in Fleetwood, Fleetwood	013927	April 3, 2006	161,086,000
	Community First Bank, National Association, Reynoldsville	004908	May 1, 2006	58,923,000
Texas	The First National Bank of Holland, Holland	008008	June 6, 2006	9,093,000

CORPORATE STRUCTURE OF THE NATIONAL BANKING SYSTEM

Federal branches and agencies of foreign banks in operation, January 1 to June 30, 2006

	In operation January 1, 2006	Opened (or converted) January 1—June 30, 2006	Closed (or converted) January 1—June 30, 2006	In operation June 30, 2006
Federal branch				
California	1	0	0	1
District of Columbia	1	0	0	1
Florida	1	0	0	1
New York	33	0	1	31
Washington	1	0	0	1
Limited federal branch				
California	7	0	0	7
District of Columbia	1	0	0	1
New York	2	0	0	2
Federal agency				
Florida	1	0	0	1
Illinois	1	0	0	1
New York	2	0	0	2
Total:	51	0	1	49



25th Anniversary

FINANCIAL PERFORMANCE
OF NATIONAL BANKS

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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FINANCIAL PERFORMANCE OF NATIONAL BANKS

Assets, liabilities, and capital accounts of national banks
June 30, 2005 and June 30, 2006
 (Dollar figures in millions)

	June 30, 2005	June 30, 2006	Change June 30, 2005- June 30, 2006 fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Number of institutions	1,864	1,780	(84)	(4.51)
Total assets	\$5,821,521	\$6,461,433	\$639,912	10.99
Cash and balances due from depositories	245,151	257,885	12,734	5.19
Noninterest-bearing balances, currency and coin	174,728	181,974	7,246	4.15
Interest bearing balances	70,423	75,910	5,487	7.79
Securities	933,973	1,012,244	78,271	8.38
Held-to-maturity securities, amortized cost	36,978	36,758	(220)	(0.60)
Available-for-sale securities, fair value	896,995	975,486	78,491	8.75
Federal funds sold and securities purchased	329,356	416,919	87,563	26.59
Net loans and leases	3,248,177	3,569,416	321,240	9.89
Total loans and leases	3,294,829	3,613,774	318,945	9.68
Loans and leases, gross	3,296,720	3,614,934	318,214	9.65
Less: Unearned income	1,891	1,160	(731)	(38.64)
Less: Reserve for losses	46,652	44,358	(2,294)	(4.92)
Assets held in trading account	486,854	552,165	65,311	13.41
Other real estate owned	1,451	2,318	867	59.73
Intangible assets	224,927	277,438	52,511	23.35
All other assets	351,633	373,049	21,416	6.09
Total liabilities and equity capital	5,821,521	6,461,433	639,912	10.99
Deposits in domestic offices	2,943,260	3,186,121	242,861	8.25
Deposits in foreign offices	746,821	900,093	153,271	20.52
Total deposits	3,690,082	4,086,214	396,133	10.74
Noninterest-bearing deposits	804,881	816,865	11,984	1.49
Interest-bearing deposits	2,885,201	3,269,349	384,149	13.31
Federal funds purchased and securities sold	457,700	563,267	105,567	23.06
Other borrowed money	543,090	567,202	24,112	4.44
Trading liabilities less revaluation losses	121,763	128,909	7,146	5.87
Subordinated notes and debentures	94,936	110,907	15,971	16.82
All other liabilities	329,916	365,309	35,393	10.73
Trading liabilities revaluation losses	128,359	136,648	8,288	6.46
Other	201,557	228,661	27,104	13.45
Total equity capital	584,034	639,624	55,590	9.52
Perpetual preferred stock	3,309	1,374	(1,935)	(58.46)
Common stock	14,340	14,364	25	0.17
Surplus	359,130	411,654	52,524	14.63
Retained earnings and other comprehensive income	202,561	190,463	(12,098)	(5.97)
Other equity capital components	(170)	(40)	130	NM

NM indicates calculated percent change is not meaningful.

FINANCIAL PERFORMANCE OF NATIONAL BANKS

Quarterly income and expenses of national banks
Second quarter 2005 and second quarter 2006
(Dollar figures in millions)

	Second quarter 2005	Second quarter 2006	Change Second quarter, 2005- second quarter, 2006 fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Number of institutions	1,864	1,780	(84)	(4.51)
Net income	\$18,960	\$21,588	\$2,628	13.86
Net interest income	43,949	45,137	1,188	2.70
Total interest income	70,476	87,484	17,008	24.13
On loans	52,039	63,914	11,875	22.82
From lease financing receivables	1,554	1,350	(204)	(13.16)
On balances due from depositories	744	1,376	631	84.85
On securities	10,457	12,869	2,412	23.07
From assets held in trading account	3,196	3,760	564	17.65
On federal funds sold and securities repurchased	2,027	3,780	1,753	86.50
Less: Interest expense	26,527	42,347	15,821	59.64
On deposits	16,179	26,284	10,104	62.45
Of federal funds purchased and securities sold	3,167	6,328	3,162	99.83
On demand notes and other borrowed money*	5,782	7,943	2,160	37.36
On subordinated notes and debentures	1,398	1,793	395	28.22
Less: Provision for losses	4,139	3,863	(276)	(6.66)
Noninterest income	36,724	41,280	4,555	12.40
From fiduciary activities	3,254	3,357	103	3.15
Service charges on deposits	6,326	6,446	120	1.90
Trading revenue	1,895	4,869	2,974	NM
From interest rate exposures	374	1,510	1,136	NM
From foreign exchange exposures	1,214	2,021	807	66.52
From equity security and index exposures	89	967	878	NM
From commodity and other exposures	167	291	124	NM
Investment banking brokerage fees	2,282	2,572	291	12.73
Venture capital revenue	69	99	29	42.26
Net servicing fees	2,391	3,066	675	28.22
Net securitization income	4,831	4,958	127	2.64
Insurance commissions and fees	678	646	(31)	(4.61)
Insurance and reinsurance underwriting income	161	79	(83)	(51.17)
Income from other insurance activities	516	568	51	9.94
Net gains on asset sales	1,522	1,614	92	6.04
Sales of loans and leases	1,186	1,346	160	13.46
Sales of other real estate owned	26	26	(0)	(0.75)
Sales of other assets(excluding securities)	310	242	(67)	(21.70)
Other noninterest income	13,477	13,653	176	1.31
Gains/losses on securities	688	(581)	(1,269)	NM
Less: Noninterest expense	49,098	49,375	277	0.56
Salaries and employee benefits	20,450	21,895	1,445	7.06
Of premises and fixed assets	6,084	5,984	(100)	(1.64)
Goodwill impairment losses	1	1	(0)	NM
Amortization expense and impairment losses	1,750	1,628	(122)	(6.97)
Other noninterest expense	20,813	19,868	(946)	(4.54)
Less: Taxes on income before extraordinary items	9,164	11,120	1,956	21.35
Income/loss from extraordinary items, net of income taxes	(1)	110	112	NM
Memoranda:				
Net operating income	18,525	21,824	3,300	17.81
Income before taxes and extraordinary items	28,125	32,598	4,473	15.90
Income net of taxes before extraordinary items	18,961	21,478	2,517	13.27
Cash dividends declared	12,008	11,126	(882)	(7.34)
Net charge-offs to loan and lease reserve	4,687	4,140	(546)	(11.65)
Charge-offs to loan and lease reserve	6,624	5,834	(790)	(11.92)
Less: Recoveries credited to loan and lease reserve	1,937	1,694	(243)	(12.56)

* Includes mortgage indebtedness

NM indicates calculated percent change is not meaningful.

FINANCIAL PERFORMANCE OF NATIONAL BANKS

Year-to-date income and expenses of national banks
Through June 30, 2005 and through June 30, 2006
 (Dollar figures in millions)

	June 30, 2005	June 30, 2006	Change June 30, 2005- June 30, 2006 fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Number of institutions	1,864	1,780	(84)	(4.51)
Net income	\$37,352	\$42,661	\$5,309	14.21
Net interest income	84,540	89,107	4,568	5.40
Total interest income	132,971	168,973	36,001	27.07
On loans	98,113	123,797	25,684	26.18
From lease financing receivables	2,760	2,645	(115)	(4.16)
On balances due from depositories	1,477	2,478	1,002	67.85
On securities	20,327	24,476	4,149	20.41
From assets held in trading account	6,107	7,349	1,242	20.34
On federal funds sold and securities repurchased	3,351	7,400	4,048	120.79
Less: Interest expense	48,432	79,865	31,434	64.90
On deposits	29,322	49,181	19,859	67.73
Of federal funds purchased and securities sold	5,652	11,810	6,159	108.96
On demand notes and other borrowed money*	10,843	15,425	4,581	42.25
On subordinated notes and debentures	2,614	3,450	835	31.95
Less: Provision for losses	8,577	8,087	(490)	(5.72)
Noninterest income	72,565	81,818	9,253	12.75
From fiduciary activities	6,325	6,714	389	6.15
Service charges on deposits	11,484	12,379	894	7.79
Trading revenue	6,012	10,150	4,138	68.83
From interest rate exposures	1,921	2,827	907	47.19
From foreign exchange exposures	2,724	3,983	1,259	46.22
From equity security and index exposures	937	2,661	1,724	NM
From commodity and other exposures	378	599	221	58.34
Investment banking brokerage fees	4,104	4,941	837	20.40
Venture capital revenue	256	148	(109)	(42.35)
Net servicing fees	5,865	6,166	300	5.12
Net securitization income	9,373	10,293	920	9.81
Insurance commissions and fees	1,274	1,215	(59)	(4.63)
Insurance and reinsurance underwriting income	302	165	(137)	(45.40)
Income from other insurance activities	971	1,050	78	8.06
Net gains on asset sales	2,587	2,855	268	10.36
Sales of loans and leases	2,084	2,330	246	11.80
Sales of other real estate owned	48	44	(4)	(8.38)
Sales of other assets(excluding securities)	456	481	25	5.56
Other noninterest income	25,284	26,958	1,674	6.62
Gains/losses on securities	569	(783)	(1,352)	NM
Less: Noninterest expense	93,524	98,659	5,135	5.49
Salaries and employee benefits	40,328	44,759	4,431	10.99
Of premises and fixed assets	11,911	11,962	52	0.43
Goodwill impairment losses	3	1	(2)	NM
Amortization expense and impairment losses	3,094	3,262	169	5.45
Other noninterest expense	38,189	38,675	486	1.27
Less: Taxes on income before extraordinary items	18,213	21,049	2,836	15.57
Income/loss from extraordinary items, net of income taxes	(7)	314	321	NM
Memoranda:				
Net operating income	36,988	42,842	5,855	15.83
Income before taxes and extraordinary items	55,572	63,396	7,824	14.08
Income net of taxes before extraordinary items	37,359	42,347	4,988	13.35
Cash dividends declared	19,744	20,323	580	2.94
Net charge-offs to loan and lease reserve	9,812	7,916	(1,895)	(19.32)
Charge-offs to loan and lease reserve	13,353	11,215	(2,138)	(16.01)
Less: Recoveries credited to loan and lease reserve	3,541	3,299	(242)	(6.85)

* Includes mortgage indebtedness

NM indicates calculated percent change is not meaningful.

FINANCIAL PERFORMANCE OF NATIONAL BANKS

Assets of national banks by asset size

June 30, 2006

(Dollar figures in millions)

	All national banks	National banks				Memoranda: All commercial banks
		Less than \$100 million	\$100 million to \$1 billion	\$1 billion to \$10 billion	Greater than \$10 billion	
Number of institutions reporting	1,780	671	930	131	48	7,480
Total assets	\$6,461,433	\$38,083	\$267,095	\$383,554	\$5,772,701	\$9,602,259
Cash and balances due from	257,885	2,051	10,477	15,445	229,911	397,573
Securities	1,012,244	10,081	59,448	76,043	866,673	1,648,723
Federal funds sold and securities purchased	416,919	1,634	7,928	22,536	384,821	484,879
Net loans and leases	3,569,416	22,440	172,605	238,399	3,135,973	5,589,266
Total loans and leases	3,613,774	22,757	174,775	241,466	3,174,777	5,658,485
Loans and leases, gross	3,614,934	22,774	174,938	241,617	3,175,606	5,660,737
Less: Unearned income	1,160	17	164	151	829	2,252
Less: Reserve for losses	44,358	317	2,170	3,067	38,804	69,219
Assets held in trading account	552,165	1	142	529	551,492	597,502
Other real estate owned	2,318	46	234	136	1,902	4,068
Intangible assets	277,438	137	3,604	12,480	261,216	345,553
All other assets	373,049	1,693	12,656	17,986	340,714	534,695
Gross loans and leases by type:						
Loans secured by real estate	1,853,776	14,267	125,312	156,123	1,558,074	3,161,732
1- to 4-family residential mortgages	881,714	5,526	37,984	41,234	796,970	1,286,524
Home equity loans	340,051	483	6,683	11,644	321,240	451,794
Multifamily residential mortgages	43,133	293	4,074	8,313	30,453	98,636
Commercial RE loans	336,206	4,556	48,845	54,114	228,691	768,100
Construction RE loans	187,059	1,578	21,363	36,214	127,904	450,501
Farmland loans	16,469	1,830	6,363	2,944	5,333	50,016
RE loans from foreign offices	49,145	1	1	1,659	47,484	56,160
Commercial and industrial loans	730,314	3,536	26,905	53,205	646,668	1,096,680
Loans to individuals	604,404	2,269	13,017	19,457	569,660	827,103
Credit cards	262,294	71	1,547	3,730	256,946	331,151
Other revolving credit plans	37,236	36	397	840	35,962	42,719
Installment loans	304,874	2,162	11,073	14,887	276,752	453,232
All other loans and leases	426,441	2,702	9,704	12,832	401,203	575,223
Securities by type:						
U.S. Treasury securities	23,101	394	1,341	2,515	18,851	44,702
Mortgage-backed securities	662,273	2,053	19,832	39,434	600,954	969,769
Pass-through securities	513,447	1,608	13,333	17,540	480,965	658,800
Collateralized mortgage obligations	148,826	446	6,499	21,894	119,988	310,968
Other securities	273,327	7,633	37,967	33,162	194,565	545,589
Other U.S. government securities	79,419	5,793	23,901	20,497	29,227	263,466
State and local government securities	63,790	1,649	12,115	8,023	42,003	125,346
Other debt securities	122,867	116	1,478	4,060	117,213	142,559
Equity securities	7,252	74	473	581	6,123	14,217
Memoranda:						
Agricultural production loans	21,448	2,283	5,874	2,719	10,572	52,586
Pledged securities	522,864	4,219	30,162	40,927	447,557	883,102
Book value of securities	1,039,403	10,306	60,736	77,575	890,785	1,689,386
Available-for-sale securities	1,002,645	8,877	53,462	70,241	870,064	1,565,393
Held-to-maturity securities	36,758	1,429	7,274	7,334	20,721	123,993
Market value of securities	1,011,355	10,051	59,297	75,906	866,101	1,645,517
Available-for-sale securities	975,486	8,652	52,174	68,709	845,952	1,524,731
Held-to-maturity securities	35,868	1,399	7,123	7,197	20,149	120,786

FINANCIAL PERFORMANCE OF NATIONAL BANKS

Past-due and nonaccrual loans and leases of national banks by asset size
June 30, 2006
 (Dollar figures in millions)

	All national banks	National banks				Memoranda: All commercial banks
		Less than \$100 million	\$100 million to \$1 billion	\$1 billion to \$10 billion	Greater than \$10 billion	
Number of institutions reporting	1,780	671	930	131	48	7,480
Loans and leases past due 30-89 days	\$29,235	\$276	\$1,415	\$1,687	\$25,857	\$44,278
Loans secured by real estate	12,991	168	912	845	11,066	21,656
1- to 4-family residential mortgages	8,388	86	398	330	7,575	12,171
Home equity loans	1,660	3	33	46	1,578	2,173
Multifamily residential mortgages	153	1	25	29	98	416
Commercial RE loans	1,233	46	268	212	707	3,615
Construction RE loans	1,085	15	150	203	717	2,508
Farmland loans	95	16	39	24	16	313
RE loans from foreign offices	377	0	0	1	376	460
Commercial and industrial loans	3,967	46	239	563	3,119	6,401
Loans to individuals	10,794	49	199	220	10,326	14,081
Credit cards	5,768	2	46	60	5,661	6,947
Installment loans and other plans	5,026	47	153	161	4,665	7,133
All other loans and leases	1,484	14	65	59	1,346	2,141
Loans and leases past due 90+ days	13,139	45	276	312	12,506	16,546
Loans secured by real estate	5,245	27	178	135	4,906	6,973
1- to 4-family residential mortgages	4,758	15	66	85	4,592	5,675
Home equity loans	164	0	3	4	156	251
Multifamily residential mortgages	15	0	5	5	4	62
Commercial RE loans	160	6	56	16	82	502
Construction RE loans	131	3	38	22	68	376
Farmland loans	18	3	10	1	3	99
RE loans from foreign offices	0	0	0	0	0	9
Commercial and industrial loans	538	7	43	118	370	1,003
Loans to individuals	7,193	7	43	49	7,094	8,274
Credit cards	5,062	1	26	27	5,009	5,838
Installment loans and other plans	2,131	7	17	22	2,085	2,436
All other loans and leases	163	4	12	10	136	295
Nonaccrual loans and leases	14,270	171	920	1,094	12,084	22,993
Loans secured by real estate	8,277	103	663	684	6,827	13,863
1- to 4-family residential mortgages	4,039	34	191	154	3,660	6,004
Home equity loans	799	1	11	24	764	978
Multifamily residential mortgages	195	2	18	30	145	345
Commercial RE loans	1,773	48	300	346	1,080	3,942
Construction RE loans	645	8	105	111	421	1,508
Farmland loans	124	12	38	19	55	317
RE loans from foreign offices	703	0	0	0	703	770
Commercial and industrial loans	4,183	42	197	292	3,651	6,499
Loans to individuals	1,106	9	30	59	1,008	1,649
Credit cards	287	0	6	32	248	518
Installment loans and other plans	819	8	23	26	760	1,130
All other loans and leases	758	17	30	60	651	1,063

FINANCIAL PERFORMANCE OF NATIONAL BANKS

Liabilities of national banks by asset size
June 30, 2006
 (Dollar figures in millions)

	All national banks	National banks				Memoranda: All commercial banks
		Less than \$100 million	\$100 million to \$1 billion	\$1 billion to \$10 billion	Greater than \$10 billion	
Number of institutions reporting	1,780	671	930	131	48	7,480
Total liabilities and equity capital	6,461,433	38,083	267,095	383,554	5,772,701	9,602,259
Deposits in domestic offices	3,186,121	31,595	215,574	264,136	2,674,817	5,315,140
Deposits in foreign offices	900,093	17	207	3,329	896,539	1,067,887
Total deposits	4,086,214	31,612	215,781	267,465	3,571,356	6,383,027
Noninterest bearing	816,865	6,017	36,833	45,274	728,741	1,191,858
Interest bearing	3,269,349	25,595	178,948	222,191	2,842,615	5,191,169
Federal funds purchased and securities sold	563,267	562	7,865	28,362	526,478	749,987
Other borrowed funds	567,202	1,068	12,742	36,176	517,216	797,994
Trading liabilities less revaluation losses	128,909	0	1	99	128,809	129,385
Subordinated notes and debentures	110,907	5	200	1,533	109,169	132,727
All other liabilities	365,309	293	2,571	7,060	355,385	437,419
Equity capital	639,624	4,542	27,934	42,860	564,287	971,720
Total deposits by depositor:						
Individuals and corporations	3,318,676	19,165	153,189	217,213	2,929,109	5,159,050
U.S., state, and local governments	142,739	2,934	15,947	16,503	107,354	266,309
Depositories in the U.S.	79,595	386	3,276	3,267	72,667	115,514
Foreign banks and governments	195,227	1	220	528	194,478	222,043
Domestic deposits by depositor:						
Individuals and corporations	2,629,714	19,150	153,090	214,198	2,243,276	4,335,902
U.S., state, and local governments	142,739	2,934	15,947	16,503	107,354	266,309
Depositories in the U.S.	39,669	386	3,276	3,185	32,822	64,616
Foreign banks and governments	24,737	1	111	296	24,329	28,968
Foreign deposits by depositor:						
Individuals and corporations	688,962	15	99	3,015	685,833	823,148
Depositories in the U.S.	39,926	0	0	81	39,845	50,898
Foreign banks and governments	170,490	0	109	232	170,149	193,076
Deposits in domestic offices by type:						
Transaction deposits	413,578	10,417	48,978	34,438	319,745	728,650
Demand deposits	317,053	5,813	29,433	25,581	256,225	530,553
Savings deposits	1,838,388	7,121	72,519	132,981	1,625,766	2,770,033
Money market deposit accounts	1,358,706	3,745	41,069	102,272	1,211,620	2,042,211
Other savings deposits	479,683	3,376	31,451	30,709	414,146	727,822
Time deposits	934,155	14,056	94,076	96,717	729,306	1,816,457
Small time deposits	400,535	8,836	53,544	46,839	291,316	819,202
Large time deposits	533,620	5,221	40,532	49,878	437,989	997,254

FINANCIAL PERFORMANCE OF NATIONAL BANKS

Off-balance-sheet items of national banks by asset size
June 30, 2006
 (Dollar figures in millions)

	All national banks	National banks				Memoranda: All commercial banks
		Less than \$100 million	\$100 million to \$1 billion	\$1 billion to \$10 billion	Greater than \$10 billion	
Number of institutions reporting	1,780	671	930	131	48	7,480
Unused commitments	\$5,166,068	\$23,665	\$176,899	\$744,564	\$4,220,940	\$6,591,232
Home equity lines	394,469	361	6,162	13,518	374,428	510,864
Credit card lines	3,130,734	19,597	140,307	668,270	2,302,560	3,734,596
Commercial RE, construction and land	181,145	919	11,857	25,980	142,388	344,093
All other unused commitments	1,459,720	2,789	18,573	36,795	1,401,564	2,001,679
Letters of credit:						
Standby letters of credit	311,085	117	1,699	5,355	303,913	404,200
Financial letters of credit	264,973	68	1,069	3,844	259,993	348,534
Performance letters of credit	46,111	49	630	1,512	43,921	55,666
Commercial letters of credit	24,755	18	244	786	23,707	29,088
Securities lent	624,478	19	68	1,484	622,907	1,615,444
Spot foreign exchange contracts	898,859	0	2	162	898,696	949,369
Credit derivatives (notional value)						
Reporting bank is the guarantor	3,296,693	0	5	0	3,296,688	3,297,599
Reporting bank is the beneficiary	3,251,740	0	0	0	3,251,740	3,271,824
Derivative contracts (notional value)	117,170,634	53	3,386	23,137	117,144,058	119,242,952
Futures and forward contracts	12,954,786	22	1,105	3,869	12,949,791	13,788,212
Interest rate contracts	7,594,979	22	1,095	2,444	7,591,419	7,761,500
Foreign exchange contracts	5,177,697	0	9	1,425	5,176,263	5,839,621
All other futures and forwards	182,110	0	1	1	182,109	187,091
Option contracts	23,921,440	27	1,150	5,037	23,915,226	24,446,901
Interest rate contracts	18,760,569	25	1,102	4,429	18,755,013	19,213,457
Foreign exchange contracts	3,123,319	0	0	339	3,122,980	3,168,820
All other options	2,037,552	2	48	269	2,037,233	2,064,625
Swaps	73,745,974	4	1,126	14,231	73,730,613	74,438,416
Interest rate contracts	71,086,362	4	1,110	14,123	71,071,125	71,746,927
Foreign exchange contracts	2,284,394	0	0	20	2,284,374	2,298,863
All other swaps	375,219	0	16	88	375,114	392,625
Memoranda: Derivatives by purpose						
Contracts held for trading	108,285,963	2	34	6,663	108,279,265	110,058,658
Contracts not held for trading	2,336,238	51	3,348	16,474	2,316,365	2,614,871
Memoranda: Derivatives by position						
Held for trading—positive fair value	1,289,277	0	1	49	1,289,228	1,304,769
Held for trading—negative fair value	1,268,660	0	1	43	1,268,616	1,285,209
Not for trading—positive fair value	12,676	1	20	92	12,563	15,414
Not for trading—negative fair value	12,311	0	28	216	12,067	15,811

FINANCIAL PERFORMANCE OF NATIONAL BANKS

 Quarterly income and expenses of national banks by asset size
 Second quarter 2006
 (Dollar figures in millions)

	All national banks	National banks				Memoranda: All commercial banks
		Less than \$100 million	\$100 million to \$1 billion	\$1 billion to \$10 billion	Greater than \$10 billion	
Number of institutions reporting	1,780	671	930	131	48	7,480
Net income	\$21,588	\$104	\$871	\$1,483	\$19,130	\$32,901
Net interest income	45,137	378	2,517	3,276	38,966	72,340
Total interest income	87,484	578	4,094	5,727	77,086	134,936
On loans	63,914	437	3,284	4,467	55,725	100,488
From lease financing receivables	1,350	2	17	68	1,263	1,902
On balances due from depositories	1,376	7	28	60	1,280	1,960
On securities	12,869	105	636	868	11,260	20,069
From assets held in trading account	3,760	0	2	6	3,752	4,837
On fed. funds sold & securities repurchased	3,780	24	106	221	3,429	4,530
Less: Interest expense	42,347	200	1,576	2,451	38,120	62,596
On deposits	26,284	181	1,350	1,735	23,017	41,417
Of federal funds purchased & securities sold	6,328	7	81	326	5,915	8,530
On demand notes & other borrowed money*	7,943	12	142	366	7,423	10,532
On subordinated notes and debentures	1,793	0	4	24	1,765	2,117
Less: Provision for losses	3,863	14	103	209	3,537	5,562
Noninterest income	41,280	164	1,146	2,370	37,600	56,077
From fiduciary activities	3,357	23	162	410	2,762	6,478
Service charges on deposits	6,446	43	318	338	5,746	9,127
Trading revenue	4,869	(0)	2	7	4,860	4,803
From interest rate exposures	1,510	0	1	5	1,504	1,668
From foreign exchange exposures	2,021	0	0	2	2,019	2,672
From equity security and index exposures	967	0	0	0	967	103
From commodity and other exposures	291	0	0	0	291	273
Investment banking brokerage fees	2,572	1	22	44	2,506	3,096
Venture capital revenue	99	0	(0)	0	99	99
Net servicing fees	3,066	28	97	124	2,816	3,859
Net securitization income	4,958	0	131	34	4,794	6,293
Insurance commissions and fees	646	11	18	32	586	1,117
Insurance and reinsurance underwriting income	79	0	0	1	78	98
Income from other insurance activities	568	11	18	31	508	1,019
Net gains on asset sales	1,614	5	56	553	1,000	2,232
Sales of loans and leases	1,346	4	51	543	748	1,812
Sales of other real estate owned	26	(0)	3	4	19	54
Sales of other assets(excluding securities)	242	0	3	6	234	367
Other noninterest income	13,653	53	341	827	12,431	18,972
Gains/losses on securities	(581)	(1)	(4)	(5)	(570)	(536)
Less: Noninterest expense	49,375	397	2,397	3,217	43,364	73,221
Salaries and employee benefits	21,895	201	1,179	1,402	19,113	33,157
Of premises and fixed assets	5,984	45	295	324	5,319	8,855
Goodwill impairment losses	1	0	0	0	0	6
Amortization expense and impairment losses	1,628	1	19	102	1,506	1,878
Other noninterest expense	19,868	149	904	1,388	17,427	29,326
Less: Taxes on income before extraord. items	11,120	26	304	732	10,059	16,417
Income/loss from extraord. items, net of taxes	314	6	17	0	291	421
Memoranda:						
Net operating income	21,824	105	858	1,487	19,375	33,001
Income before taxes and extraordinary items	32,598	130	1,159	2,215	29,095	49,098
Income net of taxes before extraordinary items	21,478	104	855	1,483	19,036	32,681
Cash dividends declared	11,126	60	520	1,093	9,454	17,585
Net loan and lease losses	4,140	8	71	168	3,894	5,363
Charge-offs to loan and lease reserve	5,834	15	104	238	5,478	7,615
Less: Recoveries credited to loan & lease resv.	1,694	7	33	71	1,584	2,252

* Includes mortgage indebtedness

FINANCIAL PERFORMANCE OF NATIONAL BANKS

Year-to-date income and expenses of national banks by asset size Through June 30, 2006 (Dollar figures in millions)

	All national banks	National banks				Memoranda: All commercial banks
		Less than \$100 million	\$100 million to \$1 billion	\$1 billion to \$10 billion	Greater than \$10 billion	
Number of institutions reporting	1,780	671	930	131	48	7,480
Net income	\$42,661	\$211	\$1,697	\$2,952	\$37,800	\$64,596
Net interest income	89,107	742	4,942	6,532	76,891	142,432
Total interest income	168,973	1,122	7,915	11,171	148,764	260,376
On loans	123,797	847	6,331	8,784	107,835	194,343
From lease financing receivables	2,645	4	32	136	2,473	3,734
On balances due from depositories	2,478	13	54	120	2,291	3,569
On securities	24,476	204	1,246	1,682	21,344	38,705
From assets held in trading account	7,349	0	6	15	7,328	8,876
On fed. funds sold & securities repurchased	7,400	48	207	367	6,778	8,904
Less: Interest expense	79,865	380	2,973	4,639	71,873	117,945
On deposits	49,181	345	2,541	3,258	43,037	77,538
Of federal funds purchased & securities sold	11,810	13	148	610	11,039	15,986
On demand notes & other borrowed money*	15,425	23	276	726	14,400	20,348
On subordinated notes and debentures	3,450	0	8	45	3,397	4,073
Less: Provision for losses	8,087	26	213	385	7,462	10,880
Noninterest income	81,818	316	2,351	4,705	74,447	111,153
From fiduciary activities	6,714	45	340	818	5,511	12,769
Service charges on deposits	12,379	83	610	646	11,040	17,588
Trading revenue	10,150	(0)	3	12	10,134	10,477
From interest rate exposures	2,827	0	3	10	2,815	2,922
From foreign exchange exposures	3,983	0	0	3	3,980	4,982
From equity security and index exposures	2,661	0	0	0	2,661	1,906
From commodity and other exposures	599	0	0	0	598	585
Investment banking brokerage fees	4,941	2	42	86	4,812	5,977
Venture capital revenue	148	0	(0)	0	148	148
Net servicing fees	6,166	54	191	254	5,666	7,801
Net securitization income	10,293	0	292	130	9,870	13,046
Insurance commissions and fees	1,215	19	37	68	1,091	2,131
Insurance and reinsurance underwriting income	165	0	0	2	163	205
Income from other insurance activities	1,050	19	36	66	928	1,926
Net gains on asset sales	2,855	9	127	1,038	1,680	3,973
Sales of loans and leases	2,330	9	99	1,022	1,199	3,230
Sales of other real estate owned	44	0	9	8	27	93
Sales of other assets(excluding securities)	481	0	19	8	455	650
Other noninterest income	26,958	102	709	1,653	24,493	37,242
Gains/losses on securities	(783)	(2)	(7)	(25)	(749)	(776)
Less: Noninterest expense	98,659	776	4,776	6,420	86,688	146,380
Salaries and employee benefits	44,759	396	2,361	2,802	39,200	67,245
Of premises and fixed assets	11,962	89	586	647	10,639	17,708
Goodwill impairment losses	1	0	0	0	0	323
Amortization expense and impairment losses	3,262	2	49	202	3,008	3,826
Other noninterest expense	38,675	287	1,779	2,768	33,840	57,277
Less: Taxes on income before extraord. items	21,049	49	617	1,454	18,930	31,374
Income/loss from extraord. items, net of taxes	314	6	17	0	291	421
Memoranda:						
Net operating income	42,842	207	1,686	2,968	37,981	64,671
Income before taxes and extraordinary items	63,396	255	2,297	4,406	56,438	95,549
Income net of taxes before extraordinary items	42,347	206	1,681	2,952	37,508	64,175
Cash dividends declared	20,323	110	909	1,680	17,625	33,461
Net loan and lease losses	7,916	14	132	337	7,433	10,190
Charge-offs to loan and lease reserve	11,215	26	202	485	10,501	14,642
Less: Recoveries credited to loan & lease resv.	3,299	12	70	148	3,068	4,452

* Includes mortgage indebtedness

FINANCIAL PERFORMANCE OF NATIONAL BANKS

 Quarterly net loan and lease losses of national banks by asset size
 Second quarter 2006
 (Dollar figures in millions)

	All national banks	National banks				Memoranda: All commercial banks
		Less than \$100 million	\$100 million to \$1 billion	\$1 billion to \$10 billion	Greater than \$10 billion	
Number of institutions reporting	1,780	671	930	131	48	7,480
Net charge-offs to loan and lease reserve	\$4,140	\$8	\$71	\$168	\$3,894	\$5,363
Loans secured by real estate	288	1	14	29	244	483
1- to 4-family residential mortgages	131	1	6	10	114	201
Home equity loans	101	0	0	3	97	142
Multifamily residential mortgages	1	(0)	0	1	(0)	10
Commercial RE loans	21	(0)	5	15	2	68
Construction RE loans	14	0	2	1	11	42
Farmland loans	5	(0)	(0)	0	5	6
RE loans from foreign offices	14	0	0	0	14	15
Commercial and industrial loans	435	4	18	71	342	702
Loans to individuals	3,327	3	35	59	3,230	4,022
Credit cards	2,396	0	23	25	2,348	2,894
Installment loans and other plans	931	3	12	34	882	1,128
All other loans and leases	91	0	4	9	78	156
Charge-offs to loan and lease reserve	5,834	15	104	238	5,478	7,615
Loans secured by real estate	425	3	19	40	363	684
1- to 4-family residential mortgages	192	1	9	15	167	284
Home equity loans	126	1	1	4	121	177
Multifamily residential mortgages	2	0	0	1	1	12
Commercial RE loans	50	1	7	17	26	119
Construction RE loans	24	0	3	2	19	57
Farmland loans	6	0	0	1	5	10
RE loans from foreign offices	25	0	0	0	25	26
Commercial and industrial loans	845	6	27	96	717	1,246
Loans to individuals	4,350	5	50	89	4,206	5,363
Credit cards	2,928	0	28	36	2,863	3,587
Installment loans and other plans	1,422	4	22	53	1,343	1,776
All other loans and leases	214	1	8	14	192	322
Recoveries credited to loan and lease reserve	1,694	7	33	71	1,584	2,252
Loans secured by real estate	137	2	5	11	119	201
1- to 4-family residential mortgages	61	0	2	5	53	83
Home equity loans	25	0	0	1	24	35
Multifamily residential mortgages	1	0	0	0	1	2
Commercial RE loans	29	1	2	2	24	51
Construction RE loans	9	0	0	2	7	15
Farmland loans	1	0	1	0	0	4
RE loans from foreign offices	10	0	0	0	10	11
Commercial and industrial loans	410	2	9	25	375	544
Loans to individuals	1,023	2	15	30	976	1,341
Credit cards	532	0	5	11	515	693
Installment loans and other plans	492	2	10	19	461	648
All other loans and leases	124	1	3	5	114	166

FINANCIAL PERFORMANCE OF NATIONAL BANKS

Year-to-date net loan and lease losses of national banks by asset size
Through June 30, 2006
 (Dollar figures in millions)

	All national banks	National banks				Memoranda: All commercial banks
		Less than \$100 million	\$100 million to \$1 billion	\$1 billion to \$10 billion	Greater than \$10 billion	
Number of institutions reporting	1,780	671	930	131	48	7,480
Net charge-offs to loan and lease reserve	7,916	14	132	337	7,433	10,190
Loans secured by real estate	580	2	19	45	513	925
1- to 4-family residential mortgages	277	2	11	20	245	412
Home equity loans	209	0	1	6	202	294
Multifamily residential mortgages	6	0	0	1	4	17
Commercial RE loans	39	0	5	16	19	109
Construction RE loans	19	0	3	2	14	58
Farmland loans	6	(0)	(0)	1	5	7
RE loans from foreign offices	24	0	0	0	24	28
Commercial and industrial loans	730	7	33	125	565	1,173
Loans to individuals	6,439	5	73	144	6,218	7,780
Credit cards	4,590	1	49	44	4,496	5,520
Installment loans and other plans	1,849	4	23	99	1,723	2,260
All other loans and leases	167	0	7	24	136	311
Charge-offs to loan and lease reserve	11,215	26	202	485	10,501	14,642
Loans secured by real estate	829	5	32	66	726	1,305
1- to 4-family residential mortgages	390	2	15	30	342	568
Home equity loans	257	1	2	7	248	360
Multifamily residential mortgages	8	0	1	1	6	21
Commercial RE loans	90	1	11	21	57	214
Construction RE loans	34	0	3	4	26	84
Farmland loans	9	0	1	1	7	14
RE loans from foreign offices	41	0	0	0	41	45
Commercial and industrial loans	1,478	10	52	171	1,245	2,187
Loans to individuals	8,479	9	103	214	8,152	10,480
Credit cards	5,674	1	59	65	5,548	6,937
Installment loans and other plans	2,805	9	44	149	2,604	3,543
All other loans and leases	429	2	15	34	379	671
Recoveries credited to loan and lease reserve	3,299	12	70	148	3,068	4,452
Loans secured by real estate	248	2	12	21	213	379
1- to 4-family residential mortgages	112	1	4	10	97	156
Home equity loans	48	0	1	2	46	66
Multifamily residential mortgages	2	0	0	0	1	4
Commercial RE loans	50	1	6	5	38	104
Construction RE loans	16	0	1	3	12	26
Farmland loans	3	0	1	1	1	7
RE loans from foreign offices	17	0	0	0	17	18
Commercial and industrial loans	748	3	19	46	679	1,014
Loans to individuals	2,040	5	31	71	1,933	2,700
Credit cards	1,084	0	10	21	1,052	1,417
Installment loans and other plans	956	4	21	50	881	1,282
All other loans and leases	263	2	7	10	243	359

FINANCIAL PERFORMANCE OF NATIONAL BANKS

 Number of national banks by state and asset size
 June 30, 2006

	All national banks	National banks				Memoranda: All commercial banks
		Less than \$100 million	\$100 million to \$1 billion	\$1 billion to \$10 billion	Greater than \$10 billion	
All institutions	1,780	671	930	131	48	7,480
Alabama	22	9	12	0	1	149
Alaska	2	1	0	1	0	5
Arizona	16	5	6	4	1	50
Arkansas	36	6	27	3	0	152
California	71	16	39	14	2	269
Colorado	40	19	17	4	0	159
Connecticut	9	1	7	0	1	23
Delaware	8	0	3	2	3	28
District of Columbia	4	1	3	0	0	6
Florida	59	4	49	6	0	267
Georgia	48	10	37	1	0	334
Hawaii	1	0	1	0	0	7
Idaho	1	0	1	0	0	14
Illinois	147	57	82	5	3	610
Indiana	28	5	16	6	1	131
Iowa	43	18	24	1	0	385
Kansas	91	59	28	4	0	349
Kentucky	38	15	22	1	0	201
Louisiana	14	2	10	0	2	139
Maine	3	0	0	2	1	15
Maryland	10	0	9	1	0	64
Massachusetts	11	2	8	1	0	37
Michigan	22	9	12	0	1	156
Minnesota	98	55	40	2	1	433
Mississippi	18	5	11	2	0	93
Missouri	45	20	20	4	1	342
Montana	14	11	3	0	0	79
Nebraska	60	36	22	2	0	247
Nevada	8	2	1	4	1	35
New Hampshire	2	1	0	1	0	9
New Jersey	19	1	12	5	1	70
New Mexico	14	3	8	3	0	47
New York	54	11	31	8	4	133
North Carolina	4	0	1	1	2	76
North Dakota	13	6	5	2	0	95
Ohio	76	29	36	4	7	176
Oklahoma	81	38	41	1	1	265
Oregon	2	0	1	0	1	37
Pennsylvania	64	10	43	7	4	160
Rhode Island	3	2	0	0	1	7
South Carolina	24	6	16	2	0	76
South Dakota	18	6	9	1	2	87
Tennessee	26	6	16	3	1	186
Texas	292	148	124	19	1	613
Utah	5	1	2	0	2	64
Vermont	8	2	6	0	0	14
Virginia	35	6	26	2	1	122
Washington	10	6	4	0	0	78
West Virginia	14	7	6	1	0	64
Wisconsin	36	9	25	1	1	265
Wyoming	13	5	8	0	0	41
U.S. territories	0	0	0	0	0	16

FINANCIAL PERFORMANCE OF NATIONAL BANKS

Total assets of national banks by state and asset size June 30, 2006 (Dollar figures in millions)

	All national banks	National banks				Memoranda: All commercial banks
		Less than \$100 million	\$100 million to \$1 billion	\$1 billion to \$10 billion	Greater than \$10 billion	
All institutions	\$6,461,433	\$38,083	\$267,095	\$383,554	\$5,772,701	\$9,602,259
Alabama	26,218	609	2,646	0	22,963	224,069
Alaska	2,304	57	0	2,247	0	3,734
Arizona	68,735	167	1,800	10,009	56,760	74,597
Arkansas	11,087	242	6,885	3,959	0	44,647
California	125,975	983	10,422	50,235	64,336	338,264
Colorado	12,130	1,000	4,823	6,307	0	43,313
Connecticut	21,061	95	3,209	0	17,757	22,725
Delaware	338,698	0	796	10,635	327,267	389,700
District of Columbia	709	80	629	0	0	979
Florida	35,627	293	14,389	20,944	0	104,750
Georgia	13,413	477	9,332	3,604	0	276,175
Hawaii	440	0	440	0	0	28,652
Idaho	330	0	330	0	0	4,841
Illinois	187,232	3,064	23,293	25,480	135,395	347,936
Indiana	51,349	271	7,158	17,465	26,455	85,754
Iowa	9,718	1,092	6,755	1,871	0	48,929
Kansas	19,945	3,351	9,723	6,871	0	44,916
Kentucky	14,584	1,034	4,964	8,585	0	49,810
Louisiana	42,676	63	2,710	0	39,902	68,644
Maine	42,396	0	0	2,284	40,112	46,349
Maryland	3,310	0	1,930	1,380	0	42,758
Massachusetts	11,752	109	2,127	9,516	0	167,289
Michigan	46,437	427	3,006	0	43,005	201,971
Minnesota	30,002	2,913	9,325	3,457	14,307	64,367
Mississippi	13,310	347	3,348	9,614	0	48,170
Missouri	32,002	1,188	5,810	12,125	12,879	94,923
Montana	1,674	690	984	0	0	16,100
Nebraska	15,375	1,780	5,186	8,409	0	33,161
Nevada	29,006	126	127	14,135	14,619	61,100
New Hampshire	1,714	56	0	1,658	0	3,946
New Jersey	33,720	66	3,916	17,339	12,399	68,530
New Mexico	7,041	157	1,943	4,942	0	14,209
New York	847,889	796	11,242	20,958	814,892	1,166,547
North Carolina	1,666,431	0	838	1,063	1,664,530	1,819,319
North Dakota	7,901	311	1,981	5,608	0	16,717
Ohio	1,632,060	1,703	11,916	8,799	1,609,643	1,724,320
Oklahoma	25,683	2,178	10,097	2,108	11,300	51,316
Oregon	12,470	0	224	0	12,246	31,900
Pennsylvania	202,466	642	14,263	20,811	166,749	254,008
Rhode Island	11,940	77	0	0	11,863	30,296
South Carolina	10,935	357	4,820	5,758	0	43,550
South Dakota	473,519	224	3,579	7,121	462,595	486,745
Tennessee	47,911	504	5,354	4,898	37,155	80,923
Texas	97,685	8,384	31,498	46,348	11,455	176,006
Utah	32,844	75	436	0	32,332	172,408
Vermont	1,656	121	1,535	0	0	6,931
Virginia	101,701	371	8,897	3,490	88,943	187,316
Washington	1,973	372	1,601	0	0	41,088
West Virginia	4,511	489	1,507	2,514	0	19,972
Wisconsin	29,893	524	7,520	1,008	20,841	116,542
Wyoming	1,994	211	1,782	0	0	6,004
U.S. territories	0	0	0	0	0	105,039

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25th Anniversary

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