Comptroller of the Currency
Administrator of National Banks

Quarterly Journal

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Office of the Comptroller of the Currency
Administrator of National Banks

Julie L. Williams
Comptroller of the Currency (Acting)

Volume 24, Number 1

March 2005
(Fourth Quarter 2004)

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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 (Acting)

Julie L. Williams became Acting Comptroller on October 14, 2004, succeeding John D. Hawke, Jr. at the end of his term of office. Ms. Williams was initially appointed Chief Counsel of the Office of the Comptroller of the Currency in June 1994, with responsibility for all of the agency's legal activities, including legal advisory services to banks and examiners, enforcement and compliance activities, litigation, legislative initiatives, and regulation of securities and corporate practices of national banks. As the agency's statutory "First Deputy," she previously served as Acting Comptroller from April 6, 1998 through December 8, 1998, before Mr. Hawke was sworn in as the 28th Comptroller of the Currency. As Chief Counsel, Ms. Williams also supervised the Licensing Department and the Community Affairs Department, and served as a member of the OCC's Executive Committee. In her current position, Ms. Williams leads the Executive Committee in providing policy and strategic direction to the agency.

Ms. Williams joined the OCC in May 1993 as Deputy Chief Counsel with responsibility for special legislative and regulatory projects. Before joining the OCC, Ms. Williams served in a variety of positions at the Office of Thrift Supervision and its predecessor agency, the Federal Home Loan Bank Board, culminating in a position as Senior Deputy Chief Counsel at the OTS from 1991 to 1993. Ms. Williams joined the Bank Board in 1983, after working as an attorney with the law firm of Fried, Frank, Harris, Shriver & Kampelman in Washington, D.C. from 1975 to 1983.

Ms. Williams is the author of *National Banks and the Dual Banking System* (Comptroller of the Currency, 2003) and *Savings Institutions: Mergers, Acquisitions and Conversions* (Law Journal Seminars-Press, 1988), and has published numerous articles on the regulation of depository institutions, financial services, securities and corporate law matters. She was awarded a B.A. in 1971 from Goddard College, Plainfield, Vermont, and a J.D. in 1975 from Antioch School of Law, Washington, D.C., where she was first in her class.

The *Quarterly Journal* is the journal of record for the most significant actions and policies of the Office of the Comptroller of the Currency. It is published four times a year. The *Quarterly Journal* includes policy statements, decisions on banking structure, selected speeches and congressional testimony, material released in the interpretive letters series, statistical data, and other information of interest to the administration of national banks. We welcome your comments and suggestions. Please send to Rebecca Miller, Senior Writer-Editor, by fax to (202) 874-5263 or by e-mail to quarterlyjournal@occ.treas.gov. Subscriptions to the new electronic *Quarterly Journal Library* CD-ROM are available for $50 a year by writing to Publications-QJ, Comptroller of the Currency, Attn: Accounts Receivable, MS 4-8, 250 E St., SW, Washington, DC 20219. The *Quarterly Journal* continues to be available on the Web at www.occ.treas.gov/qj/qj.htm.

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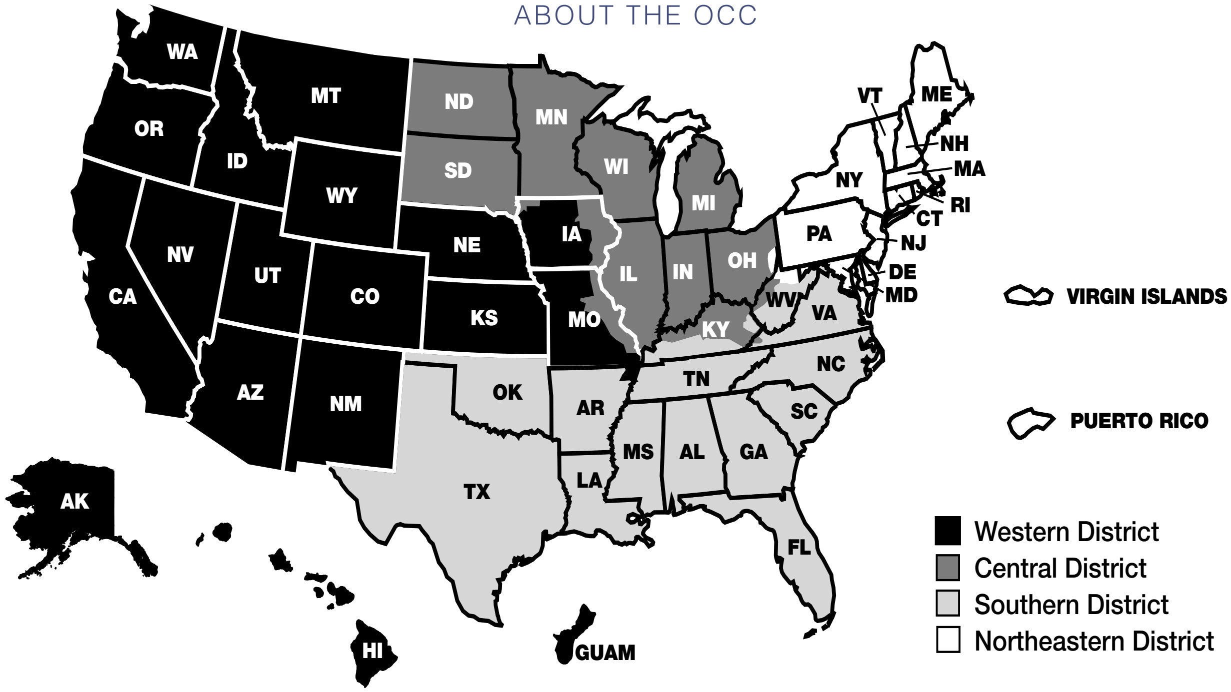

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(revised June 2005)

*Note: The *Quarterly Journal Library* starts with Volume 17, not 16 as stated previously.

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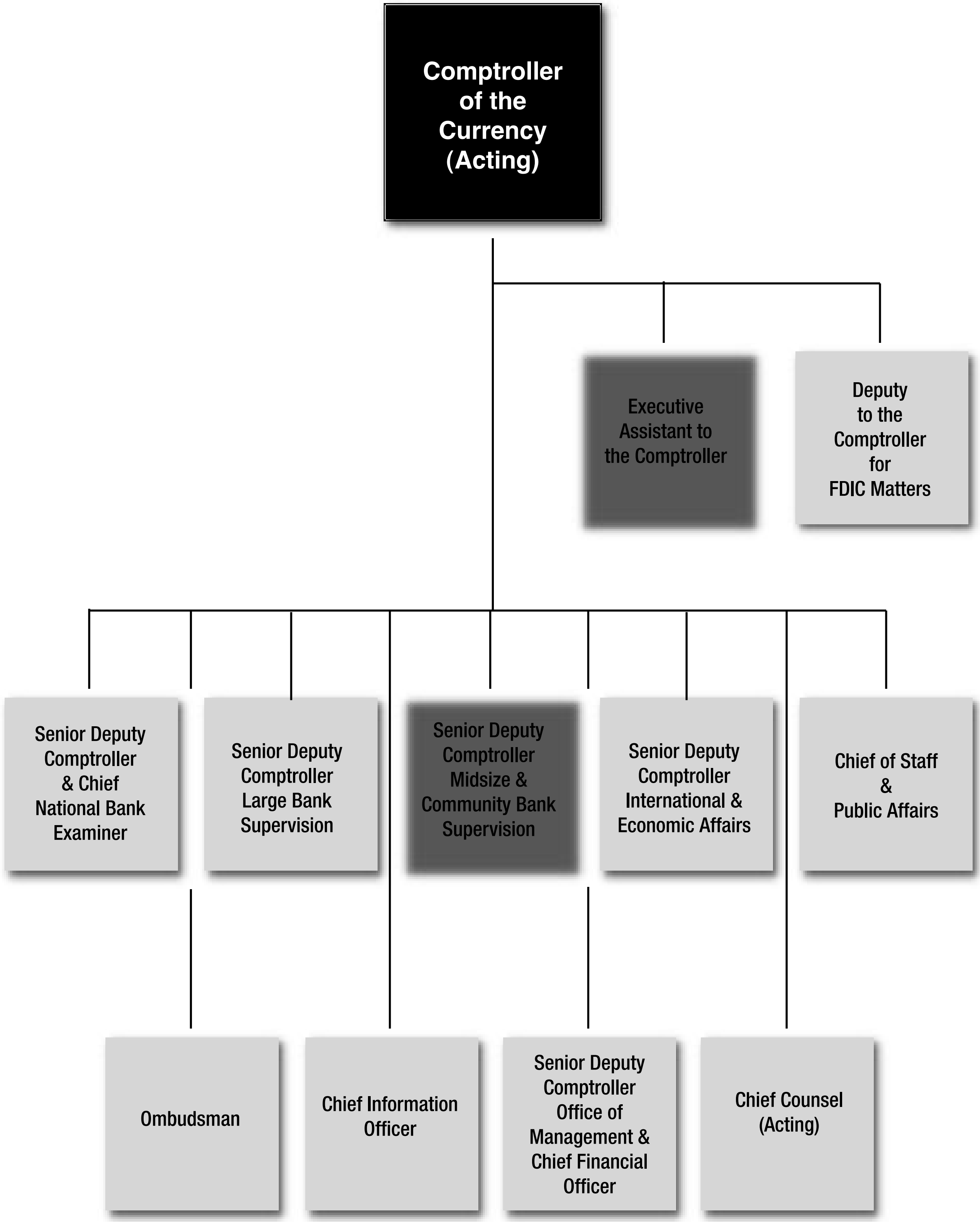

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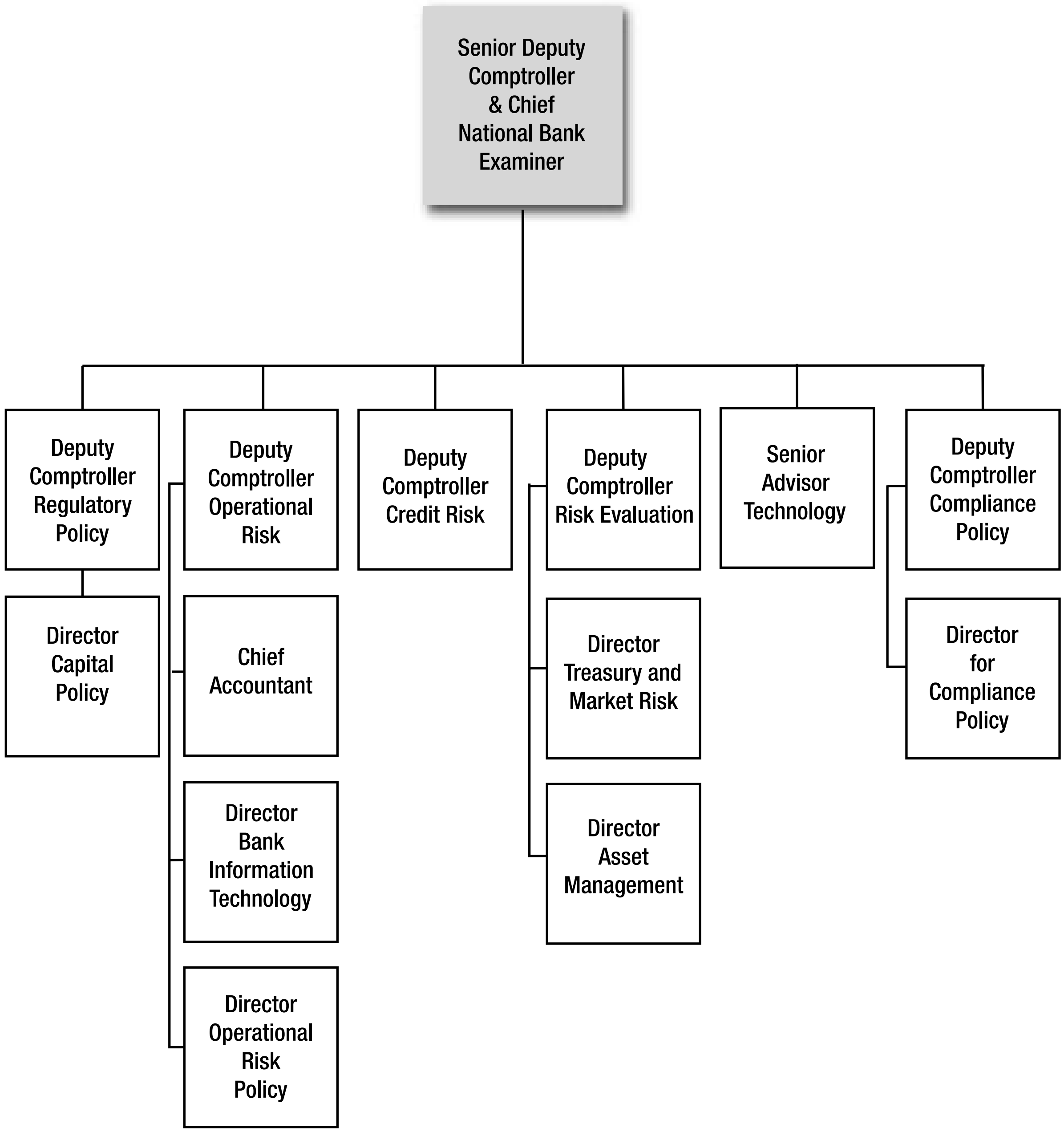
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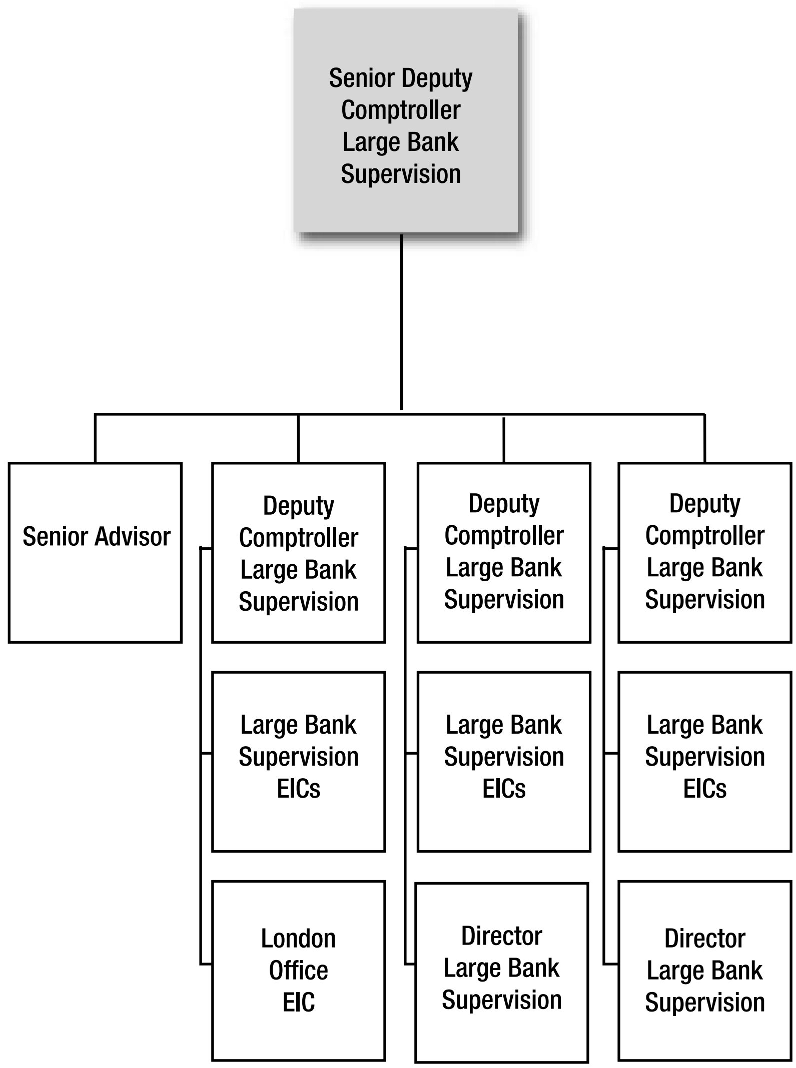
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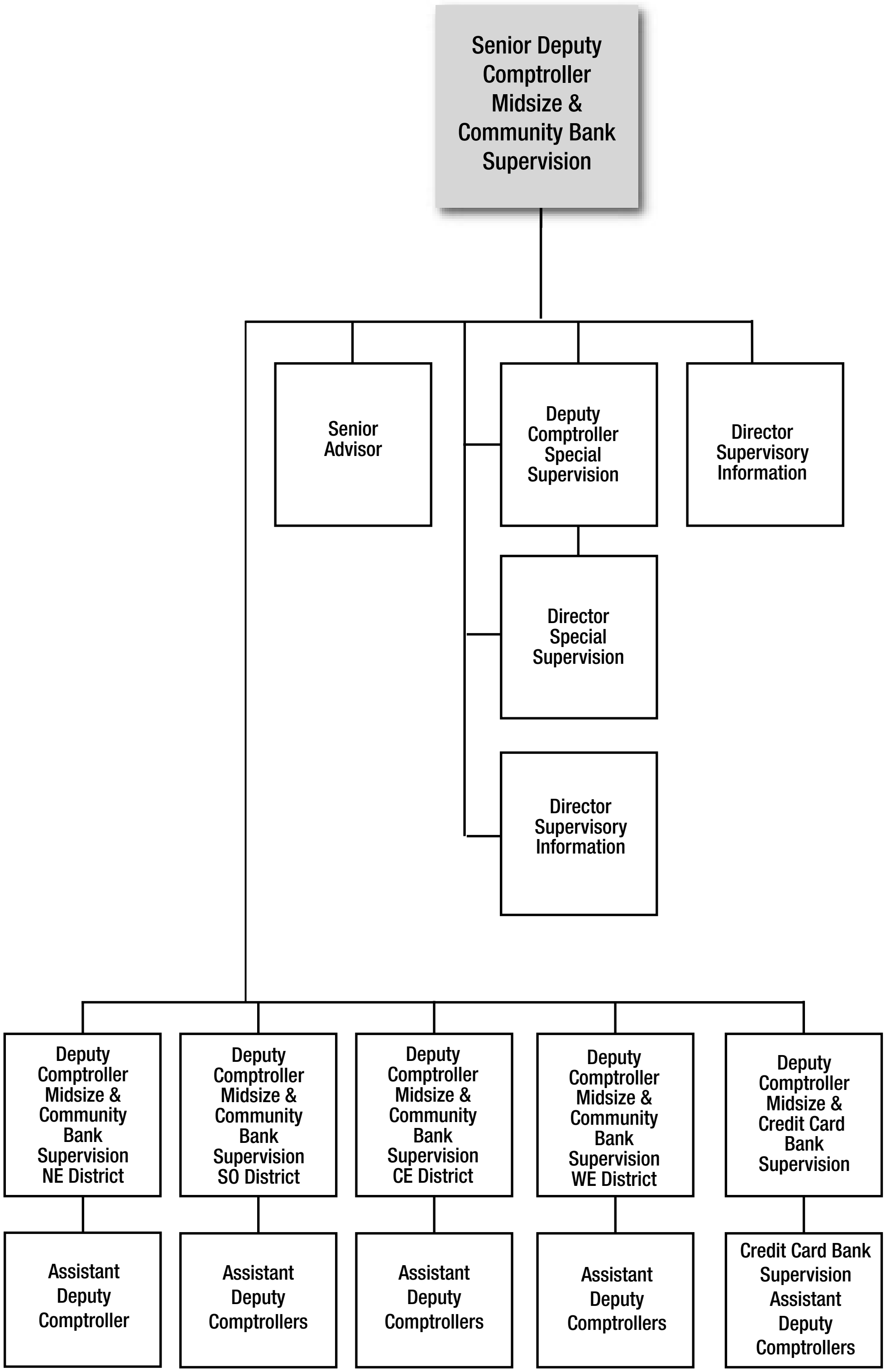
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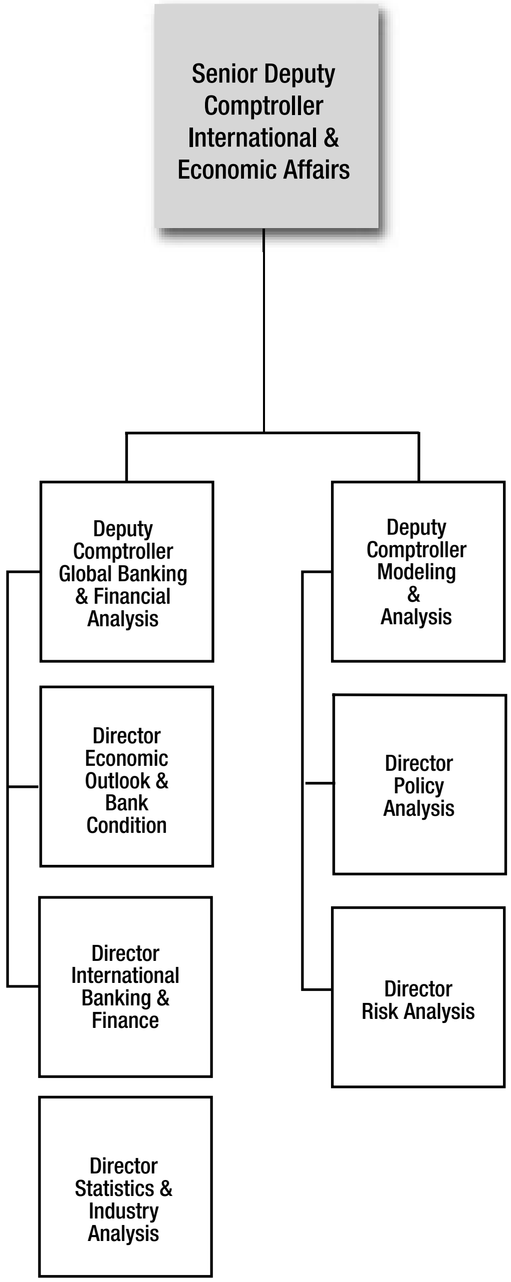
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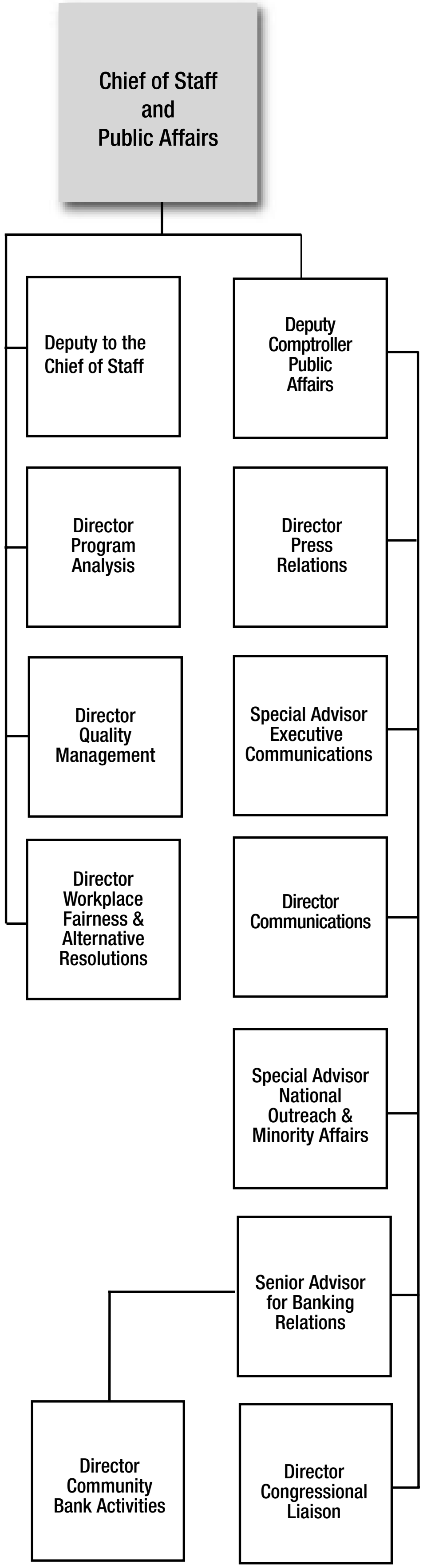
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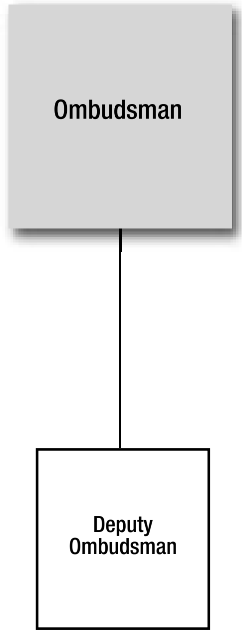
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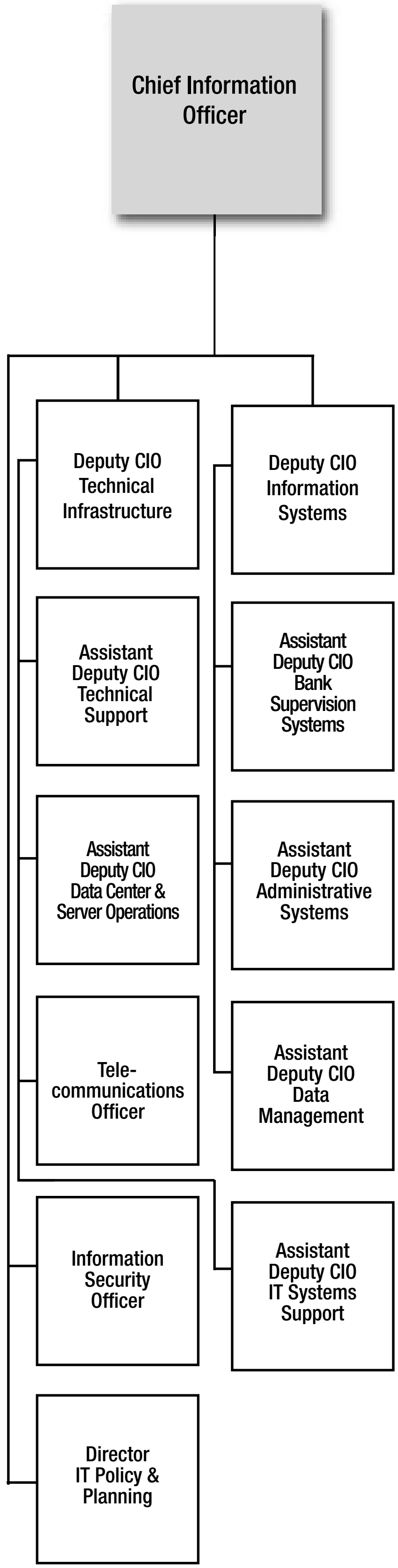
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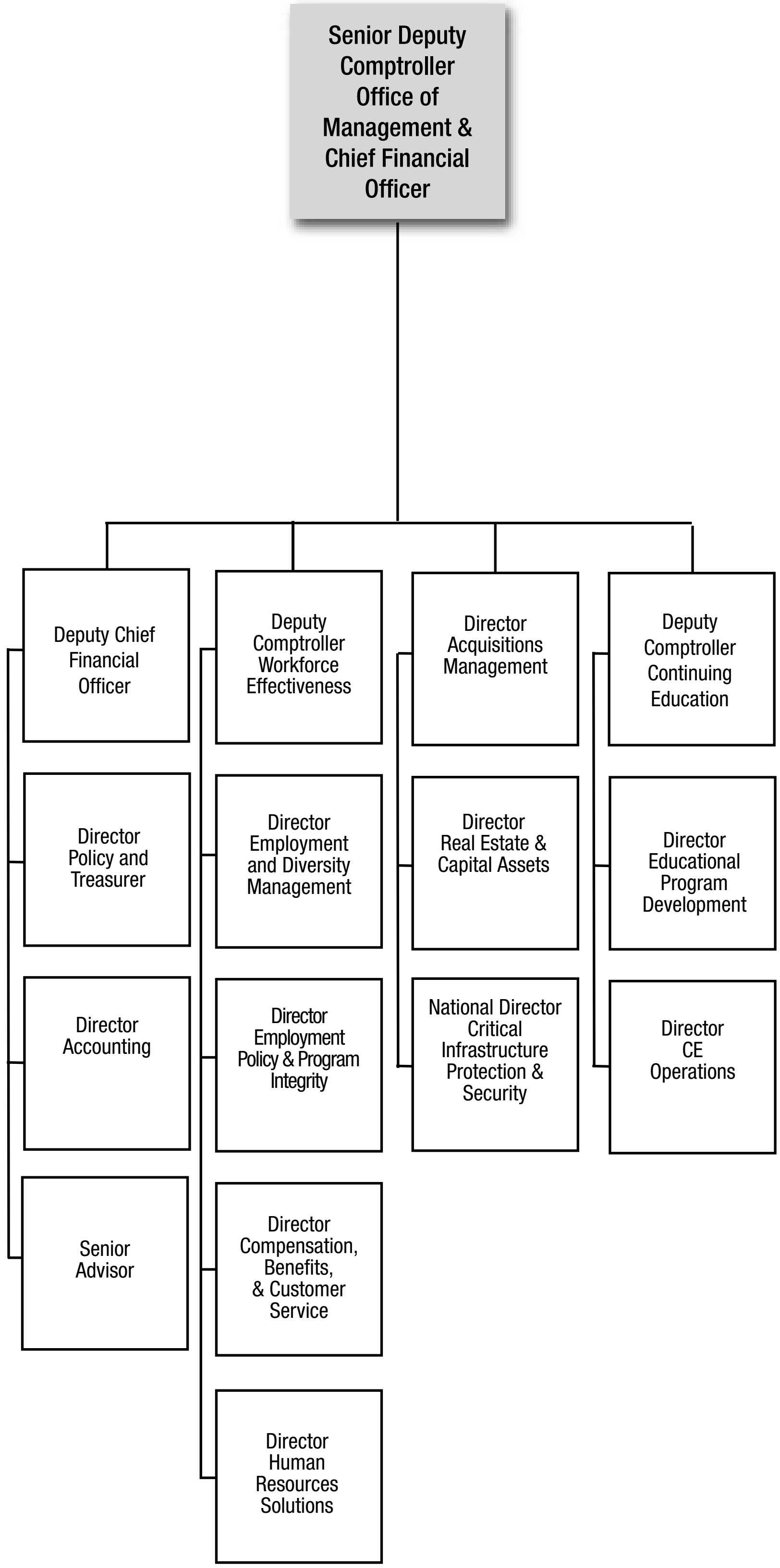
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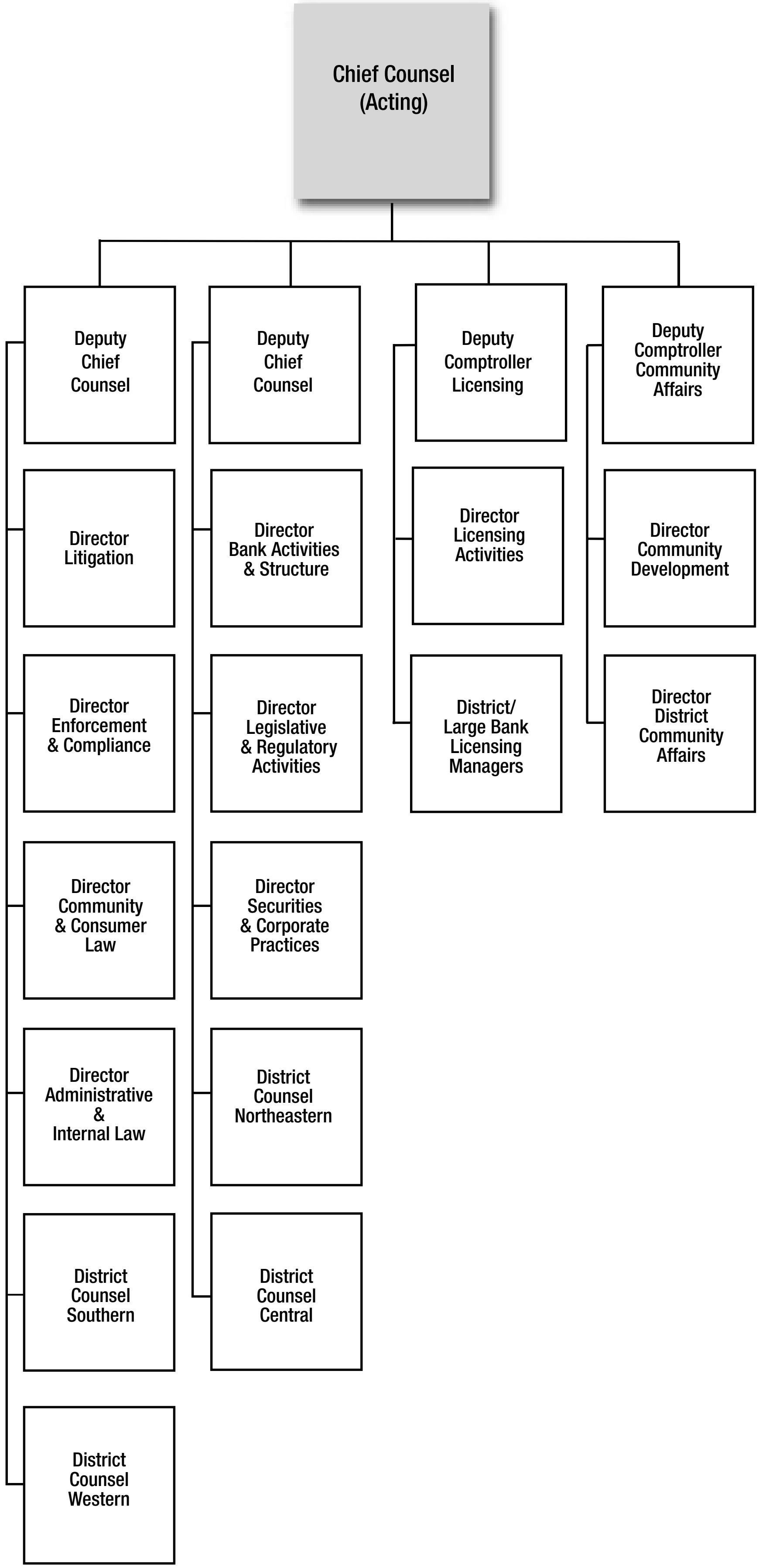
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Condition and Performance of Commercial Banks

Condition and Performance of Commercial Banks

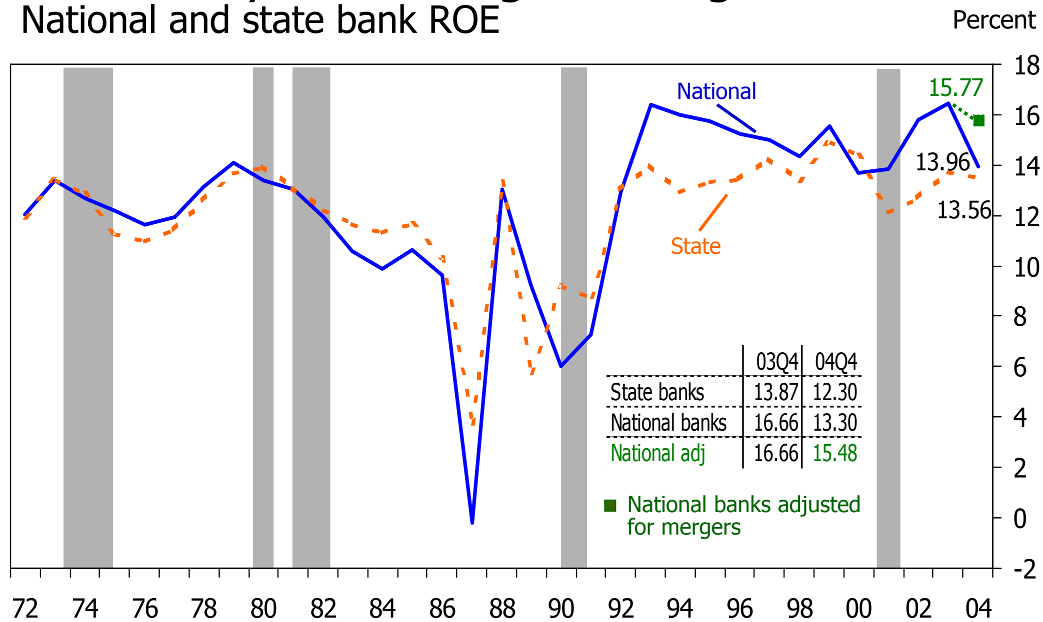
Condition of the Banking Industry Press Briefing

Bank Condition Summary

- Earnings soften
- Support from provisioning and extraordinary loans growth will fade
- Environment of rising interest rates and sluggish corporate loan growth will pose a challenge to bank earnings

ROE comes off highs; headline number affected by accounting for mergers

National and state bank ROE



Source: Integrated Banking Information System (OCC)

Data as of year-end. Shaded areas represent periods of recession. 2004 return on equity (ROE) reflects adjustments to income and equity affected by pushdown accounting treatment of recent mergers.[3]

Volume continues to drive interest income and expenses; provisioning provides a smaller benefit

National banks

Major income components
(Change, $ millions)

	2002-2003	% Change	2003-2004	% Change
Revenues				
Net interest income	1,928	1.2%	11,155	7.1%
Real gains/losses sec	-404	-8.3%	-1,046	-23.3%
Noninterest income	7,887	6.5%	5,809	4.5%
Expenses				
Provisioning	-10,792	-30.5%	-5,096	-20.7%
Noninterest expense	6,250	4.0%	17,899	11.0%
Net income	10,218	17.4%	2,596	3.7%

Source: Integrated Banking Information System (OCC)

Data are merger adjusted and held constant as of December 31, 2004; also adjusted for purchase accounting treatment.

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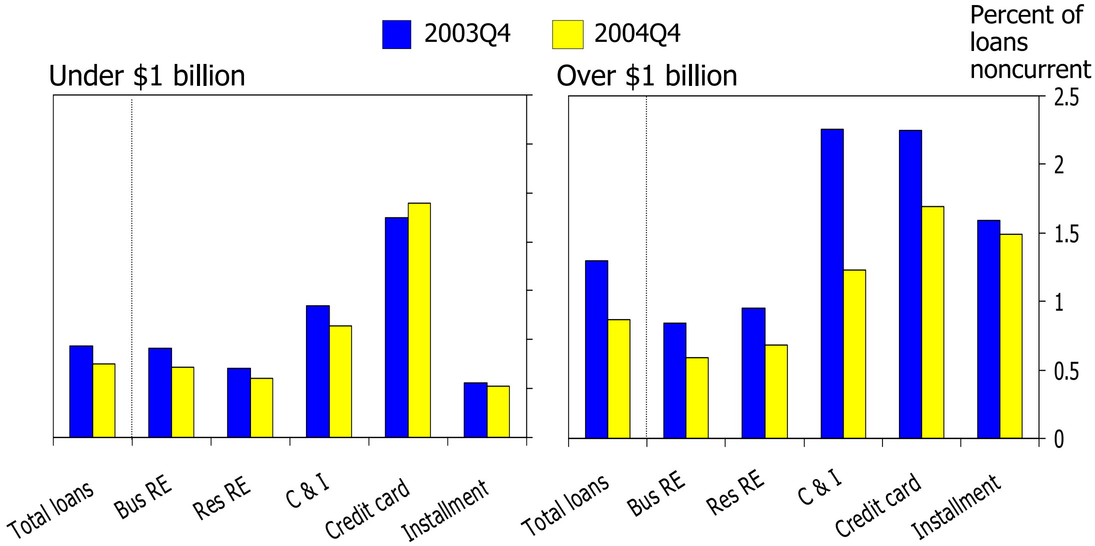
Continued improvement in loan quality, especially in large bank C&I portfolio

National non-specialty banks



Source: Integrated Banking Information System (OCC)

Noncurrent loans as a percent of loans in respective category; non-specialty category excludes credit card and trust banks. Business RE is CRE, construction and multi-family lending. Residential RE is 1- to 4-family and home equity.

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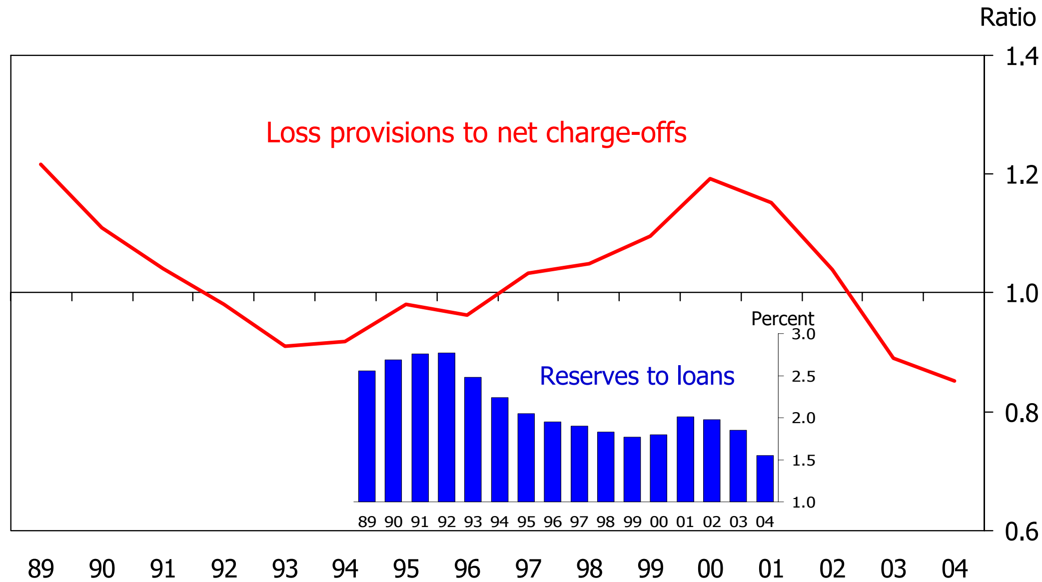
Provisioning now well below charge-offs
National banks



Source: Integrated Banking Information System (OCC)

Data as of year-end.

6

The macroeconomic environment was favorable

- Short-term interest rates rose
  - However, long-term rates were little changed and housing stayed strong
- Robust housing helped sustain robust consumer spending
- Business investment rebounded strongly, but C&I lending remains subdued

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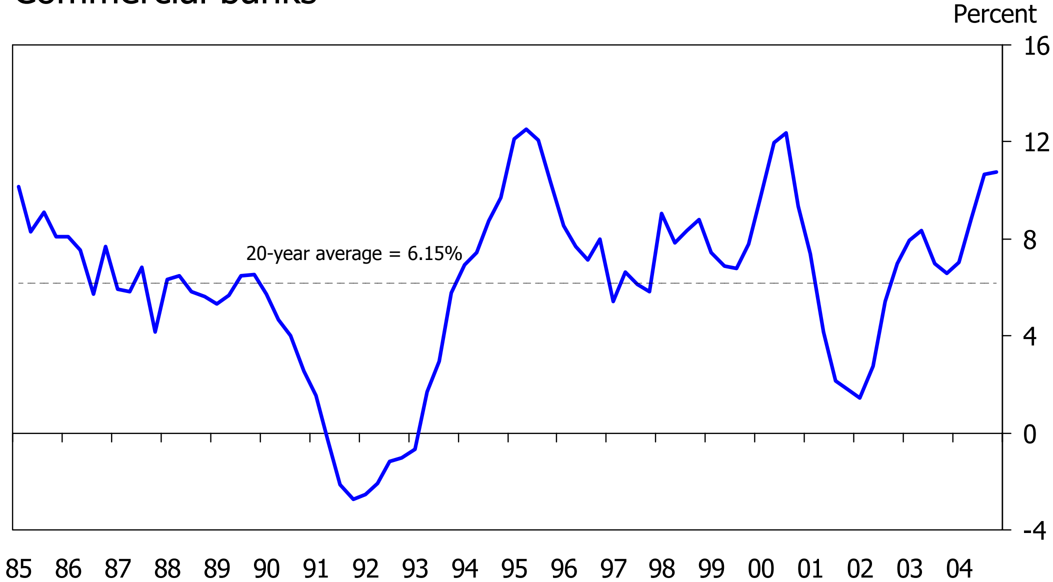
Overall loan growth was strong
Commercial banks

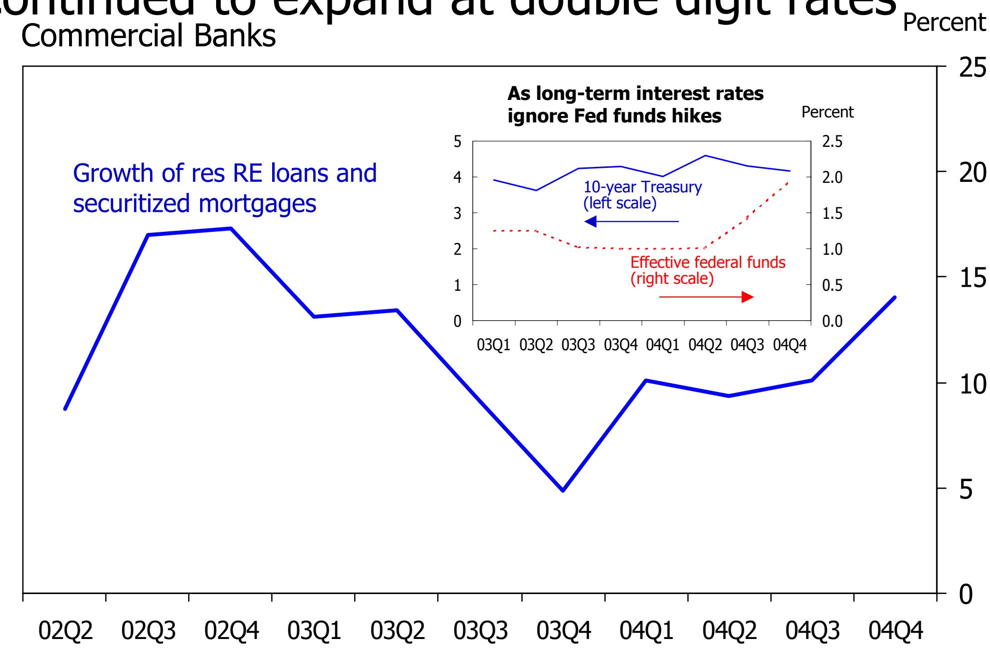


Source: Integrated Banking Information System (OCC)

Quarterly data through 2004Q4. Growth calculated from the same quarter a year ago.

8

Residential real estate-related activity continued to expand at double digit rates



Source: Integrated Banking Information System (OCC); Federal Reserve Board (Haver Analytics)

Quarterly data through 2004Q4. Residential RE is 1-4 family and home equity (on and off balance sheet). Growth calculated from the same quarter a year ago.

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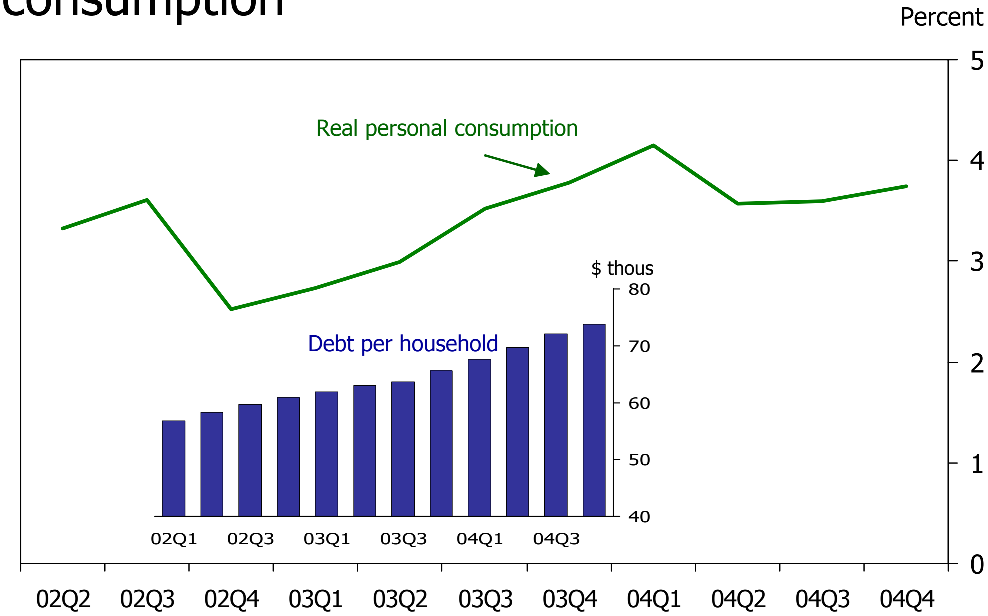
Housing finance a major fuel factor for consumption

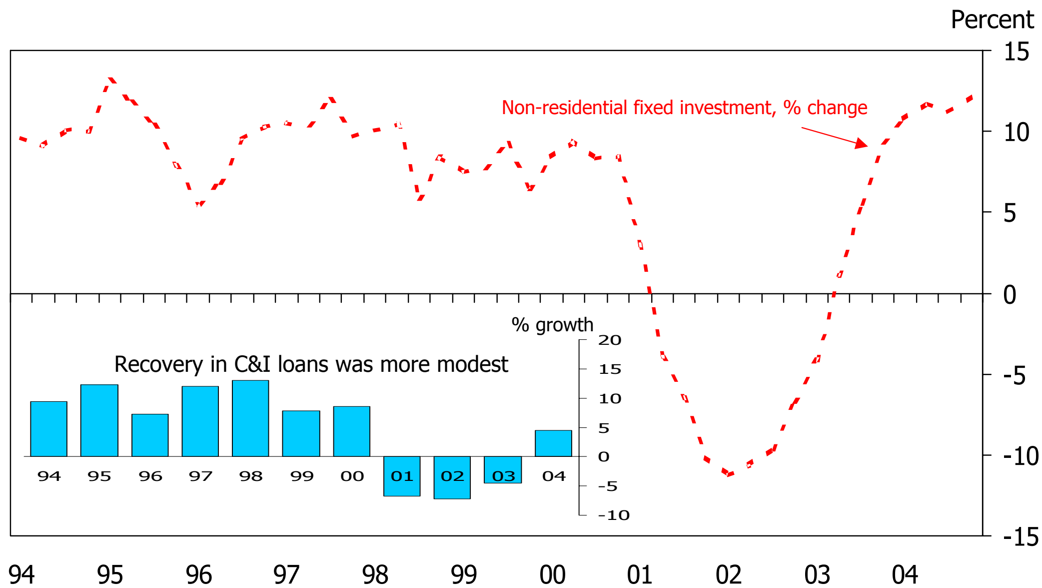


Source: Bureau of Economic Analysis (Haver Analytics); CreditForecasts.com

Quarterly data through 2004Q4. Growth calculated from the same quarter a year ago.

10

Business investment gained steam



Source: Integrated Banking Information System (OCC); Bureau of Economic Analysis(Haver Analytics)

Data through 2004. Growth calculated from the same period a year ago.

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Benign outlook for economy in 2005 and 2006

- Pace of personal consumption growth to slow
- Boost from housing waning
- Government spending likely to provide smaller stimulus
- Business investment to remain strong
- Exports expected to respond to fall in dollar

12

Shifting environment requires adjustments by banks

- Real estate lending likely to cool
- Availability of internal funds has dampened demand for business loans
- Margins remain compressed
- Core deposit growth generally declines in rising interest rate environment

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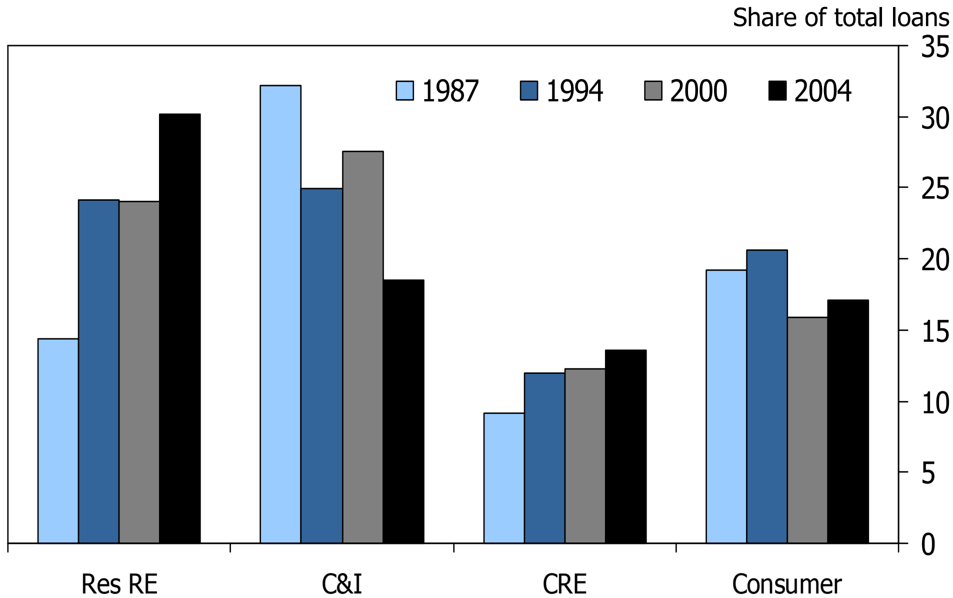
Residential RE now largest loan type
Commercial banks



Source: Integrated Banking Information System (OCC)

Residential real estate (RE) is 1- to 4-family and home equity.

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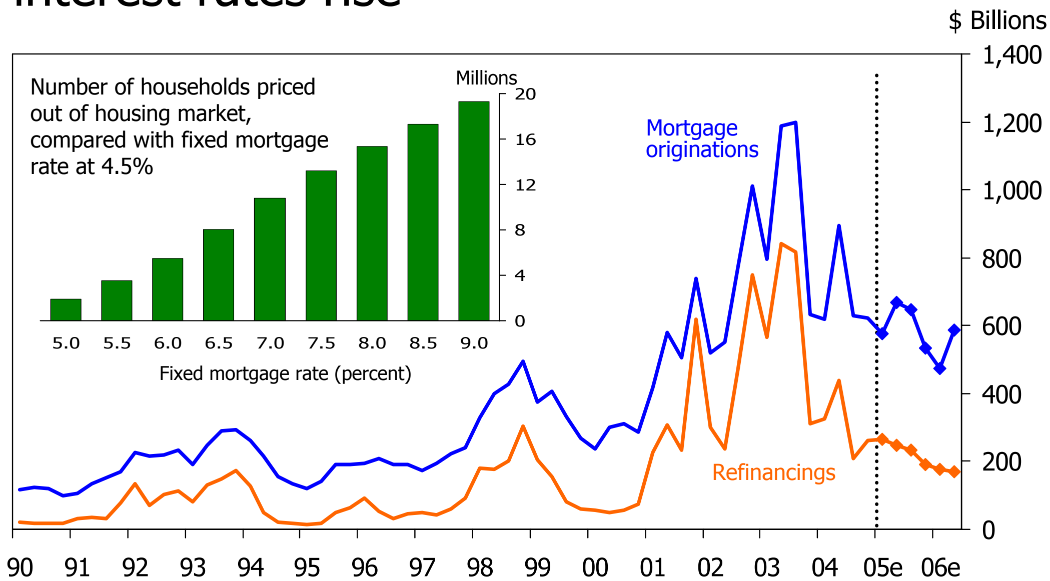
Home mortgage activity likely to slow as interest rates rise



Source: Mortgage Bankers Association, HUD

Actual data through 2004Q4; estimates through 2006Q2.

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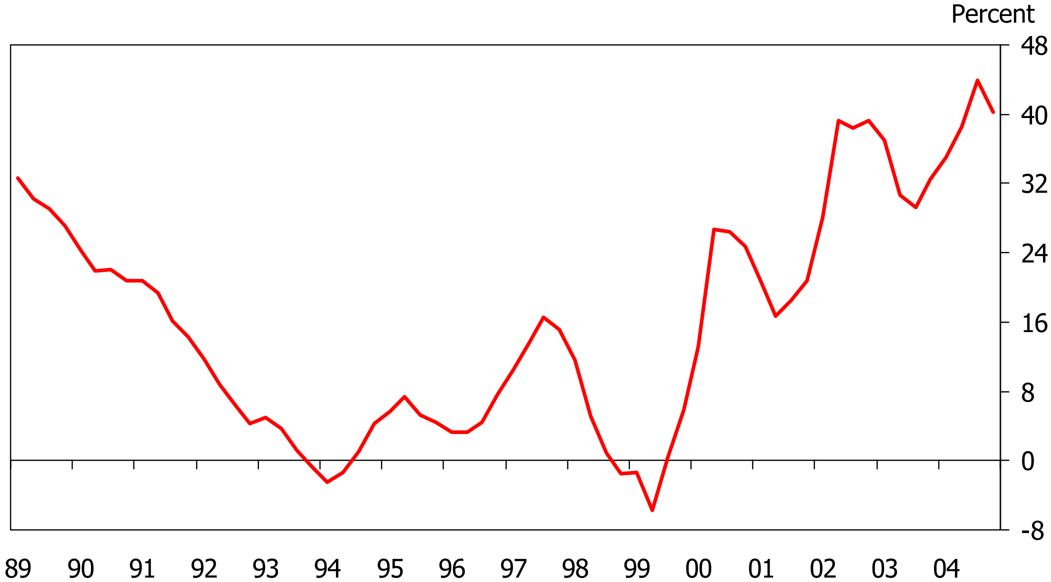
Home equity loan growth has been especially strong
Commercial banks



Source: Integrated Banking Information System (OCC)

Quarterly data through 2004Q4. Growth calculated from the same quarter a year ago.

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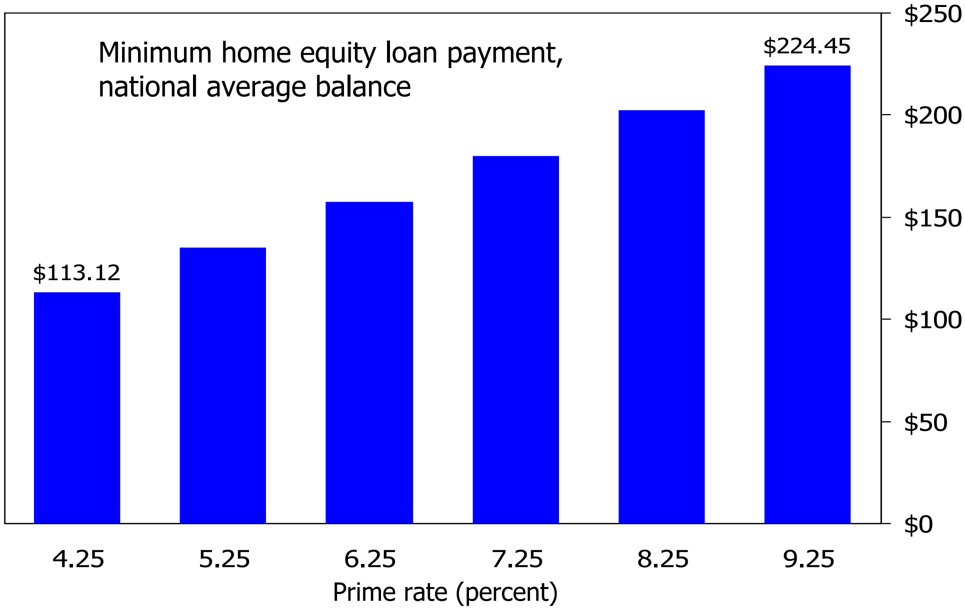
Rising cost may dampen expansion of home equity debt and consumer spending

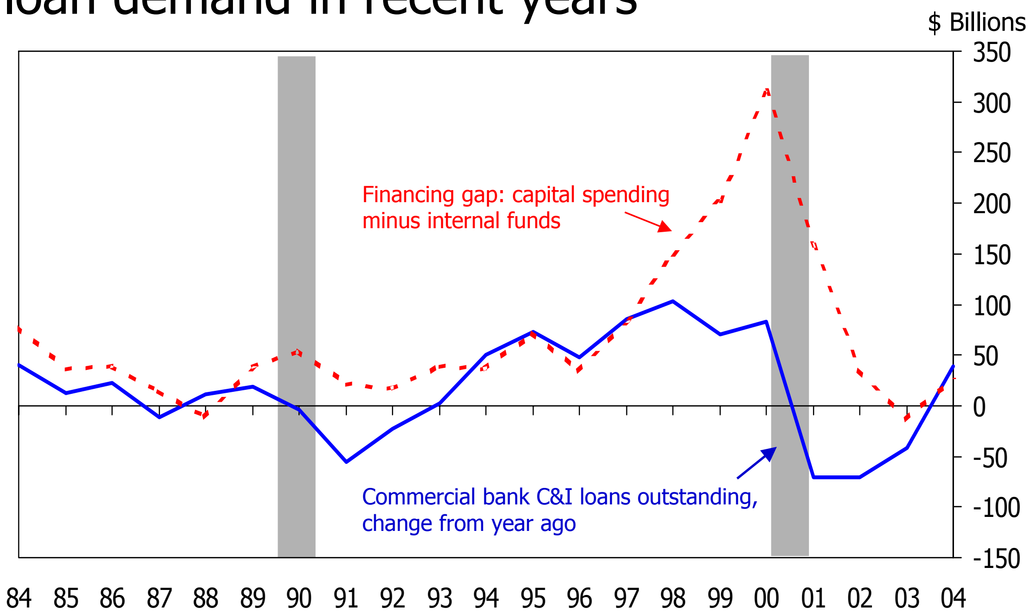


Source: Consumer Bankers Association/GBFA

Based on 27% federal income tax bracket, $36,602 average home equity loan balance, 0.83% average spread to prime.

17

Strong corporate cash flow has limited C&I loan demand in recent years



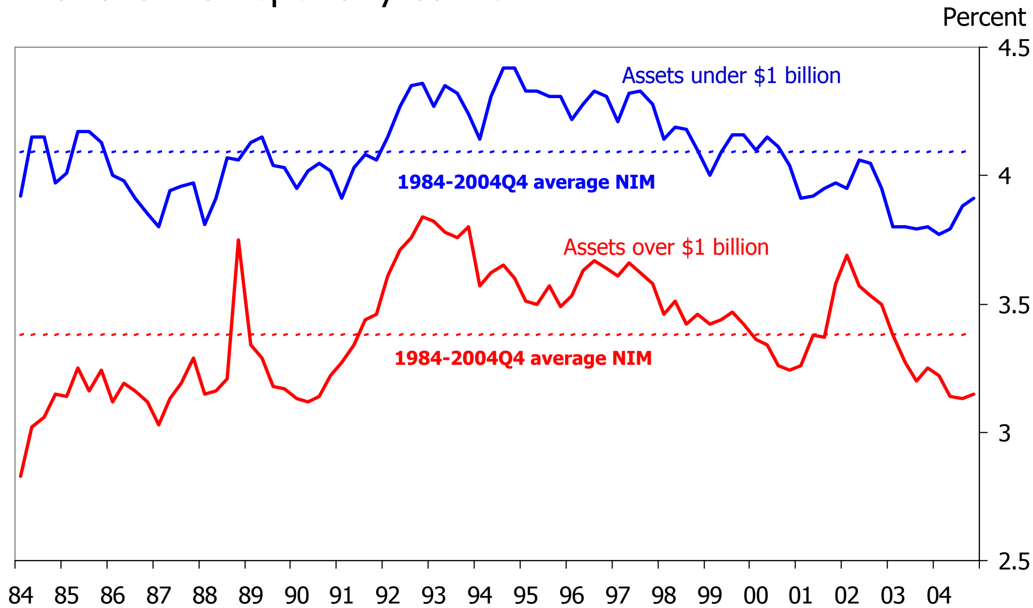
Source: Integrated Banking Information System (OCC), Federal Reserve Board/Haver Analytics

Data as of year-end. Financing gap includes inventory valuation adjustment. Shaded areas represent periods of recession.

18

Net interest margins are weak

National non-specialty banks



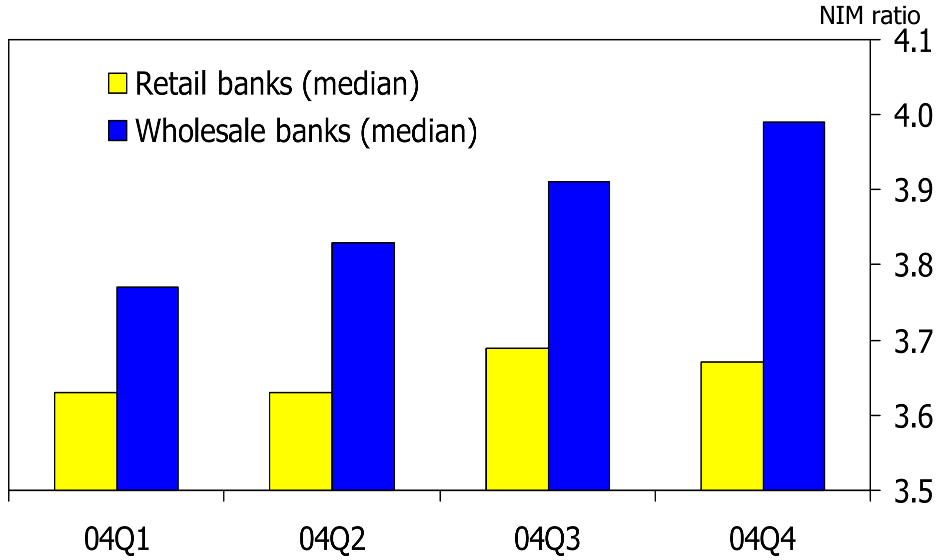
Source: Integrated Banking Information System (OCC)

Quarterly data through 2004Q4. Non-specialty category excludes credit card and trust banks. 2004 NIM reflects adjustment for pushdown accounting treatment of recent mergers.

19

Recent net interest margin improvement was largely in business lending segment

National non-specialty banks under $1 billion

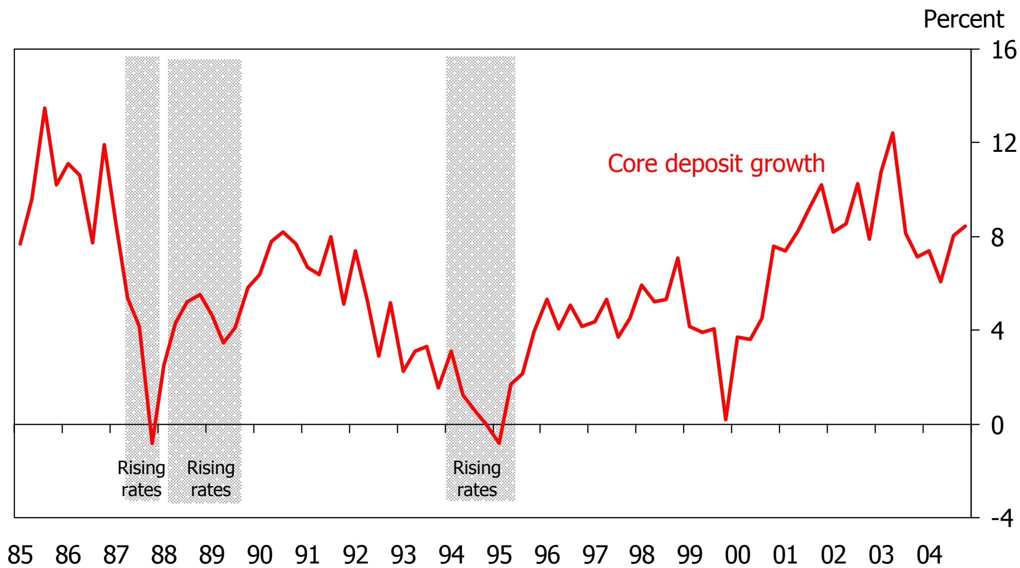


Source: Integrated Banking Information System (OCC)

Banks present in same peer group in all time periods. Retail banks are in the household and residential RE peer groups; wholesale banks are in the business RE and business peer groups.

20

Core deposit growth normally slows as interest rates rise
Commercial banks



Source: Integrated Banking Information System (OCC)

Quarterly data through 2004Q4. Growth calculated from the same quarter a year ago. Shaded areas represent 300 bp or more increase in the federal funds rate.

21

Commercial real estate fundamentals improving slowly

- Rents still weak and rising interest rates will increase servicing costs
- Weaker economic growth in Northeast/Central regions means less demand for office space

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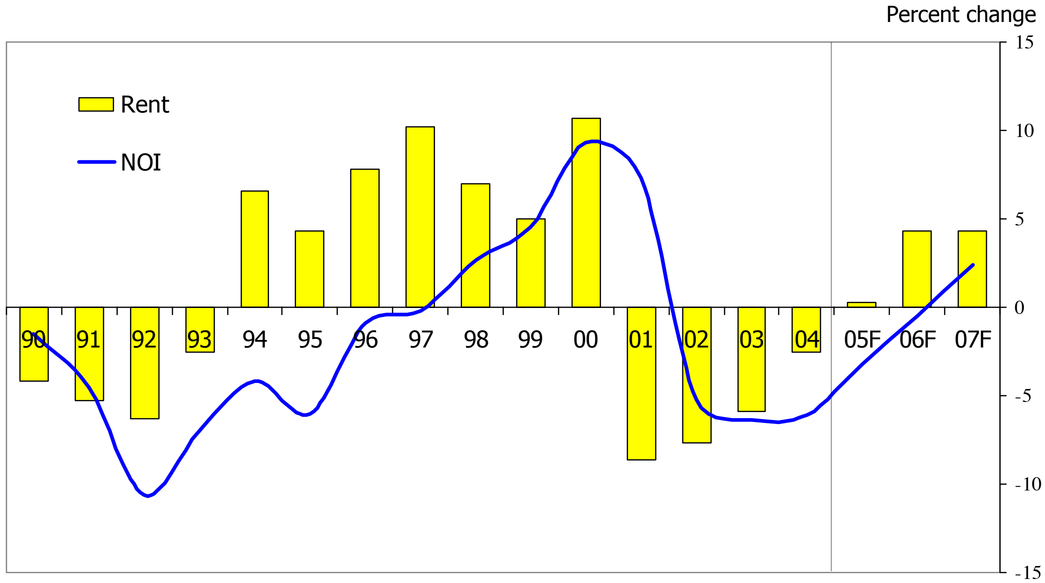
Due to rollover of longer-term leases, NOI in offices market likely to improve very slowly

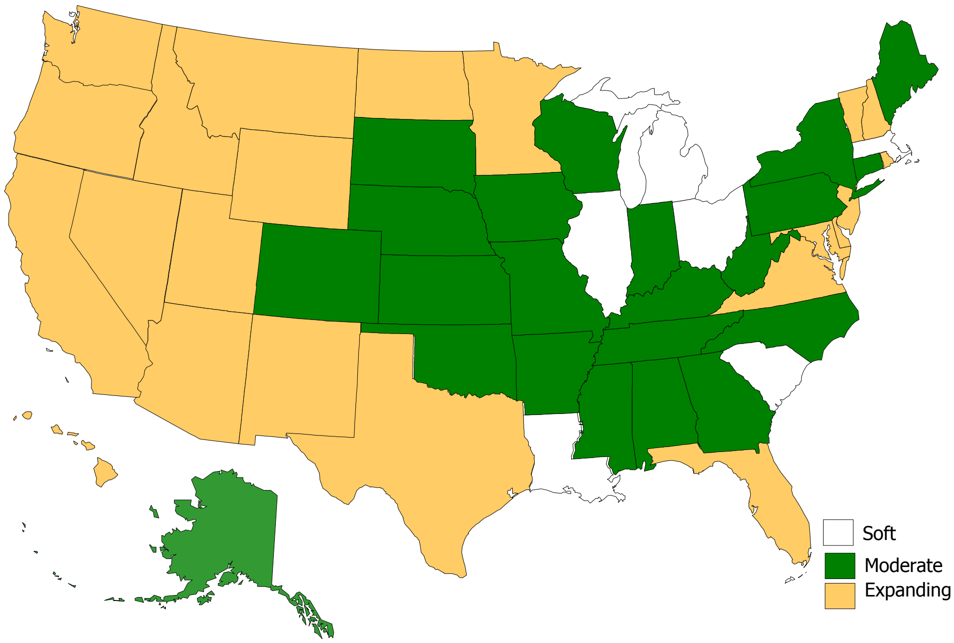


Source: Property & Portfolio Research (2005-2007 forecasts as of February 2005)

Net operating income (NOI) measures rental income of office properties minus operating expenses.

23

Economy stronger in the west



Source: Economy.com

Based on employment and industrial production through January 2005.

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Conclusion

- Earnings soften
- Support from provisioning and extraordinary loans growth will fade
- Environment of rising interest rates and sluggish corporate loan growth will pose a challenge to bank earnings

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Key indicators, FDIC-insured national banks
Annual 2000--2003, year-to-date through December 31, 2004, fourth quarter 2003, and fourth quarter 2004
(Dollar figures in millions)

	2000	2001	2002	2003	Preliminary 2004YTD	2003Q4	Preliminary 2004Q4
Number of institutions reporting	2,230	2,138	2,077	1,999	1,906	1,999	1,906
Total employees (FTEs)	948,549	966,545	993,469	1,000,493	1,142,926	1,000,493	1,142,926
Selected income data ($)							
Net income	$38,907	$44,172	$56,484	$62,972	$68,150	$16,167	$18,283
Net interest income	115,673	125,366	141,377	143,162	159,232	36,971	43,147
Provision for loan losses	20,536	28,921	32,613	24,011	18,671	5,998	4,786
Noninterest income	96,749	100,094	109,531	116,114	127,361	30,561	35,714
Noninterest expense	128,973	131,736	136,822	144,938	170,810	38,582	47,818
Net operating income	40,158	42,943	54,341	60,602	65,768	15,655	18,004
Cash dividends declared	32,327	27,783	41,757	45,049	33,042	13,308	9,803
Net charge-offs	17,227	25,107	31,381	26,973	21,930	7,137	6,220
Selected condition data ($)							
Total assets	3,414,384	3,635,053	3,908,025	4,292,257	5,601,612	4,292,257	5,601,612
Total loans and leases	2,224,132	2,269,248	2,445,291	2,630,614	3,167,015	2,630,614	3,167,015
Reserve for losses	39,992	45,537	48,338	48,627	48,989	48,627	48,989
Securities	502,299	576,550	653,702	753,642	908,069	753,642	908,069
Other real estate owned	1,553	1,799	2,075	1,941	1,529	1,941	1,529
Noncurrent loans and leases	27,151	34,261	38,166	34,876	29,607	34,876	29,607
Total deposits	2,250,402	2,384,414	2,565,771	2,786,714	3,581,424	2,786,714	3,581,424
Domestic deposits	1,827,064	2,001,243	2,168,876	2,322,009	2,848,725	2,322,009	2,848,725
Equity capital	293,729	340,657	371,434	390,522	558,077	390,522	558,077
Off-balance-sheet derivatives	15,502,911	20,549,785	25,953,772	31,554,693	86,319,387	31,554,693	86,319,387
Performance ratios (annualized %)							
Return on equity	13.69	13.84	15.79	16.47	13.96	16.66	13.49
Return on assets	1.18	1.25	1.50	1.53	1.28	1.52	1.32
Net interest income to assets	3.50	3.56	3.76	3.47	3.00	3.48	3.12
Loss provision to assets	0.62	0.82	0.87	0.58	0.35	0.57	0.35
Net operating income to assets	1.21	1.22	1.44	1.47	1.24	1.47	1.30
Noninterest income to assets	2.92	2.84	2.91	2.82	2.40	2.88	2.58
Noninterest expense to assets	3.90	3.74	3.63	3.51	3.22	3.64	3.46
Loss provision to loans and leases	0.95	1.28	1.38	0.95	0.62	0.92	0.61
Net charge-offs to loans and leases	0.80	1.11	1.33	1.07	0.73	1.10	0.79
Loss provision to net charge-offs	119.21	115.19	103.93	89.02	85.14	84.04	76.95
Performance ratios (%)							
Percent of institutions unprofitable	6.91	7.48	6.93	5.60	5.09	8.90	8.08
Percent of institutions with earnings gains	66.64	56.83	71.21	55.98	63.48	51.88	62.38
Nonint. income to net operating revenue	45.55	44.40	43.65	44.78	44.44	45.25	45.29
Nonint. expense to net operating revenue	60.72	58.43	54.53	55.90	59.60	57.13	60.64
Condition ratios (%)							
Nonperforming assets to assets	0.86	1.01	1.06	0.89	0.57	0.89	0.57
Noncurrent loans to loans	1.22	1.51	1.56	1.33	0.93	1.33	0.93
Loss reserve to noncurrent loans	147.30	132.91	126.65	139.43	165.47	139.43	165.47
Loss reserve to loans	1.80	2.01	1.98	1.85	1.55	1.85	1.55
Equity capital to assets	8.60	9.37	9.50	9.10	9.96	9.10	9.96
Leverage ratio	7.49	7.81	7.88	7.70	7.31	7.70	7.31
Risk-based capital ratio	11.84	12.60	12.66	12.65	12.26	12.65	12.26
Net loans and leases to assets	63.97	61.17	61.33	60.15	55.66	60.15	55.66
Securities to assets	14.71	15.86	16.73	17.56	16.21	17.56	16.21
Appreciation in securities (% of par)	-0.01	0.47	2.12	0.88	0.55	0.88	0.55
Residential mortgage assets to assets	19.60	22.55	24.72	24.44	23.46	24.44	23.46
Total deposits to assets	65.91	65.60	65.65	64.92	63.94	64.92	63.94
Core deposits to assets	45.61	48.08	48.75	48.03	43.83	48.03	43.83
Volatile liabilities to assets	35.18	31.23	30.31	30.57	33.90	30.57	33.90

Loan performance, FDIC-insured national banks
Annual 2000--2003, year-to-date through December 31, 2004, fourth quarter 2003, and fourth quarter 2004
(Dollar figures in millions)

	2000	2001	2002	2003	Preliminary 2004YTD	2003Q4	Preliminary 2004Q4
Percent of loans past due 30-89 days							
Total loans and leases	1.25	1.38	1.14	1.02	0.87	1.02	0.87
Loans secured by real estate (RE)	1.42	1.42	1.07	0.91	0.75	0.91	0.75
1- to 4-family residential mortgages	1.95	1.84	1.45	1.30	1.05	1.30	1.05
Home equity loans	1.07	0.79	0.61	0.45	0.39	0.45	0.39
Multifamily residential mortgages	0.59	0.82	0.42	0.54	0.39	0.54	0.39
Commercial RE loans	0.72	0.85	0.58	0.47	0.44	0.47	0.44
Construction RE loans	1.12	1.28	0.91	0.66	0.61	0.66	0.61
Commercial and industrial loans	0.71	0.94	0.76	0.63	0.56	0.63	0.56
Loans to individuals	2.40	2.38	2.15	2.08	1.84	2.08	1.84
Credit cards	2.50	2.52	2.57	2.48	2.21	2.48	2.21
Installment loans and other plans	2.31	2.62	2.07	1.95	1.67	1.95	1.67
All other loans and leases	0.56	0.84	0.55	0.34	0.31	0.34	0.31
Percent of loans noncurrent							
Total loans and leases	1.22	1.51	1.56	1.33	0.93	1.33	0.93
Loans secured by real estate (RE)	0.93	1.05	0.97	0.95	0.68	0.95	0.68
1- to 4-family residential mortgages	1.06	1.06	1.02	1.14	0.86	1.14	0.86
Home equity loans	0.41	0.38	0.32	0.24	0.18	0.24	0.18
Multifamily residential mortgages	0.55	0.54	0.48	0.45	0.42	0.45	0.42
Commercial RE loans	0.77	1.02	1.05	0.97	0.72	0.97	0.72
Construction RE loans	0.82	1.15	1.03	0.71	0.44	0.71	0.44
Commercial and industrial loans	1.66	2.44	3.00	2.19	1.22	2.19	1.22
Loans to individuals	1.46	1.49	1.60	1.78	1.66	1.78	1.66
Credit cards	1.90	2.05	2.16	2.24	2.03	2.24	2.03
Installment loans and other plans	1.06	1.24	1.30	1.55	1.46	1.55	1.46
All other loans and leases	0.86	1.19	1.11	0.74	0.39	0.74	0.39
Percent of loans charged-off, net							
Total loans and leases	0.80	1.11	1.33	1.07	0.73	1.10	0.79
Loans secured by real estate (RE)	0.12	0.26	0.19	0.21	0.08	0.34	0.09
1- to 4-family residential mortgages	0.14	0.32	0.17	0.24	0.08	0.52	0.10
Home equity loans	0.23	0.35	0.23	0.23	0.10	0.32	0.10
Multifamily residential mortgages	0.03	0.04	0.11	0.03	0.04	0.01	0.04
Commercial RE loans	0.07	0.16	0.17	0.13	0.05	0.07	0.07
Construction RE loans	0.05	0.15	0.19	0.14	0.04	0.14	0.06
Commercial and industrial loans	0.87	1.50	1.80	1.35	0.43	1.27	0.40
Loans to individuals	2.84	3.13	4.02	3.45	3.14	3.42	3.43
Credit cards	4.43	5.06	6.58	5.48	5.15	5.54	5.10
Installment loans and other plans	1.54	1.66	1.91	1.81	1.51	1.74	1.94
All other loans and leases	0.23	0.44	0.62	0.44	0.12	0.26	0.13
Loans outstanding ($)							
Total loans and leases	$2,224,132	$2,269,248	$2,445,291	$2,630,614	$3,167,015	$2,630,614	$3,167,015
Loans secured by real estate (RE)	892,138	976,094	1,139,263	1,254,981	1,572,069	1,254,981	1,572,069
1- to 4-family residential mortgages	443,000	472,680	573,669	605,100	745,260	605,100	745,260
Home equity loans	82,672	102,131	141,058	192,703	294,920	192,703	294,920
Multifamily residential mortgages	28,026	30,075	33,968	35,652	39,934	35,652	39,934
Commercial RE loans	221,267	236,489	253,427	269,936	301,722	269,936	301,722
Construction RE loans	76,899	91,437	95,361	104,218	128,556	104,218	128,556
Farmland loans	12,350	12,615	13,225	13,614	14,679	13,614	14,679
RE loans from foreign offices	27,923	30,668	28,556	33,758	46,998	33,758	46,998
Commercial and industrial loans	646,988	597,301	546,050	500,005	580,257	500,005	580,257
Loans to individuals	370,394	389,947	450,604	527,991	615,767	527,991	615,767
Credit cards*	176,425	166,628	209,971	250,893	300,351	250,893	300,351
Other revolving credit plans	.	29,258	33,243	32,883	34,265	32,883	34,265
Installment loans	193,969	194,060	207,390	244,215	281,151	244,215	281,151
All other loans and leases	316,177	307,851	311,822	349,521	401,146	349,521	401,146
Less: Unearned income	1,565	1,944	2,449	1,884	2,224	1,884	2,224

*Prior to March 2001, credit cards included "Other revolving credit plans."

Key indicators, FDIC-insured national banks by asset size
Fourth quarter 2003 and fourth quarter 2004
(Dollar figures in millions)

	Less than $100M		$100M to $1B		$1B to $10B		Greater than $10B	
	2003Q4	2004Q4	2003Q4	2004Q4	2003Q4	2004Q4	2003Q4	2004Q4
Number of institutions reporting	851	765	980	971	122	125	46	45
Total employees (FTEs)	20,196	17,128	94,628	90,161	91,528	87,800	794,141	947,837
Selected income data ($)								
Net income	$139	$110	$1,042	$839	$1,295	$1,301	$13,692	$16,033
Net interest income	447	414	2,517	2,578	3,205	3,283	30,802	36,872
Provision for loan losses	33	24	207	192	458	392	5,301	4,178
Noninterest income	282	161	1,654	1,256	2,514	2,499	26,112	31,799
Noninterest expense	497	404	2,909	2,502	3,344	3,401	31,832	41,511
Net operating income	137	111	768	843	1,287	1,308	13,463	15,742
Cash dividends declared	123	108	825	571	995	757	11,365	8,366
Net charge-offs	29	21	213	170	419	328	6,476	5,702
Selected condition data ($)								
Total assets	46,681	42,769	273,205	271,667	376,544	363,402	3,595,827	4,923,774
Total loans and leases	27,303	25,381	169,489	174,494	225,138	231,158	2,208,684	2,735,983
Reserve for losses	395	360	2,465	2,354	3,489	3,458	42,278	42,817
Securities	12,107	11,187	70,069	65,964	90,302	75,525	581,165	755,393
Other real estate owned	75	62	286	242	174	159	1,406	1,067
Noncurrent loans and leases	324	262	1,561	1,270	1,915	1,479	31,075	26,595
Total deposits	39,002	35,692	219,580	219,054	247,007	242,994	2,281,125	3,083,684
Domestic deposits	38,982	35,670	219,446	218,788	243,997	238,421	1,819,583	2,355,845
Equity capital	5,444	4,971	27,966	27,732	40,436	40,120	316,675	485,255
Off-balance-sheet derivatives	10	22	2,211	2,727	17,165	13,118	31,757,361	86,704,062
Performance ratios (annualized %)								
Return on equity	10.27	8.90	15.15	12.20	13.01	12.83	17.36	13.67
Return on assets	1.20	1.04	1.54	1.25	1.40	1.45	1.54	1.32
Net interest income to assets	3.84	3.92	3.73	3.84	3.47	3.66	3.46	3.03
Loss provision to assets	0.28	0.23	0.31	0.29	0.50	0.44	0.60	0.34
Net operating income to assets	1.18	1.05	1.14	1.26	1.39	1.46	1.51	1.29
Noninterest income to assets	2.43	1.52	2.45	1.87	2.72	2.79	2.93	2.61
Noninterest expense to assets	4.27	3.82	4.31	3.73	3.62	3.79	3.58	3.41
Loss provision to loans and leases	0.48	0.38	0.49	0.45	0.82	0.69	0.97	0.61
Net charge-offs to loans and leases	0.42	0.33	0.51	0.39	0.75	0.58	1.19	0.84
Loss provision to net charge-offs	113.60	115.74	97.04	113.24	109.24	119.44	81.85	73.28
Performance ratios (%)								
Percent of institutions unprofitable	14.69	13.99	4.69	4.43	4.92	3.20	2.17	0.00
Percent of institutions with earnings gains	48.88	54.38	54.59	67.25	47.54	72.00	60.87	66.67
Nonint. income to net operating revenue	38.71	28.00	39.66	32.76	43.95	43.21	45.88	46.31
Nonint. expense to net operating revenue	68.17	70.19	69.75	65.27	58.47	58.82	55.93	60.45
Condition ratios (%)								
Nonperforming assets to assets	0.87	0.76	0.68	0.56	0.56	0.46	0.94	0.57
Noncurrent loans to loans	1.19	1.03	0.92	0.73	0.85	0.64	1.41	0.97
Loss reserve to noncurrent loans	121.90	137.32	157.90	185.34	182.14	233.79	136.05	160.99
Loss reserve to loans	1.45	1.42	1.45	1.35	1.55	1.50	1.91	1.56
Equity capital to assets	11.66	11.62	10.24	10.21	10.74	11.04	8.81	9.86
Leverage ratio	11.20	11.41	9.43	9.46	9.38	8.81	7.33	7.04
Risk-based capital ratio	18.72	18.71	14.92	14.62	15.71	13.81	12.16	11.99
Net loans and leases to assets	57.64	58.50	61.14	63.36	58.86	62.66	60.25	54.70
Securities to assets	25.94	26.16	25.65	24.28	23.98	20.78	16.16	15.34
Appreciation in securities (% of par)	1.03	-0.01	1.14	0.27	1.51	0.20	0.75	0.62
Residential mortgage assets to assets	20.74	20.76	23.25	22.76	26.98	26.58	24.32	23.29
Total deposits to assets	83.55	83.45	80.37	80.63	65.60	66.87	63.44	62.63
Core deposits to assets	71.26	70.95	67.81	67.50	56.71	56.11	45.32	41.38
Volatile liabilities to assets	14.41	14.80	17.39	17.93	22.08	25.74	32.67	35.55

Loan performance, FDIC-insured national banks by asset size
Fourth quarter 2003 and fourth quarter 2004
(Dollar figures in millions)

	Less than $100M		$100M to $1B		$1B to $10B		Greater than $10B	
	2003Q4	2004Q4	2003Q4	2004Q4	2003Q4	2004Q4	2003Q4	2004Q4
Percent of loans past due 30-89 days								
Total loans and leases	1.39	1.24	0.96	0.89	0.89	0.77	1.03	0.87
Loans secured by real estate (RE)	1.26	1.15	0.83	0.77	0.68	0.66	0.95	0.75
1- to 4-family residential mortgages	1.80	1.71	1.36	1.22	1.05	1.02	1.32	1.03
Home equity loans	1.02	0.41	0.39	0.31	0.35	0.24	0.45	0.40
Multifamily residential mortgages	0.46	0.65	0.49	0.52	0.33	0.36	0.58	0.38
Commercial RE loans	1.02	0.81	0.55	0.57	0.39	0.38	0.45	0.41
Construction RE loans	0.86	0.90	0.72	0.64	0.63	0.73	0.65	0.57
Commercial and industrial loans	1.46	1.30	0.91	1.01	0.93	0.77	0.58	0.51
Loans to individuals	2.59	2.44	2.11	1.87	1.82	1.39	2.09	1.86
Credit cards	1.96	1.98	3.67	3.88	2.53	2.13	2.46	2.21
Installment loans and other plans	2.66	2.50	1.83	1.61	1.55	0.98	1.99	1.71
All other loans and leases	0.74	0.53	0.55	0.56	0.28	0.50	0.33	0.29
Percent of loans noncurrent								
Total loans and leases	1.19	1.03	0.92	0.73	0.85	0.64	1.41	0.97
Loans secured by real estate (RE)	1.05	0.93	0.83	0.65	0.65	0.50	1.00	0.71
1- to 4-family residential mortgages	0.98	0.93	0.76	0.64	0.65	0.49	1.22	0.90
Home equity loans	0.38	0.38	0.17	0.14	0.26	0.17	0.24	0.18
Multifamily residential mortgages	0.79	0.78	0.46	0.41	0.44	0.37	0.45	0.43
Commercial RE loans	1.15	1.10	0.93	0.74	0.75	0.65	1.03	0.72
Construction RE loans	0.88	0.66	0.88	0.64	0.56	0.33	0.70	0.43
Commercial and industrial loans	1.96	1.67	1.25	1.06	1.18	0.88	2.35	1.26
Loans to individuals	0.93	0.85	0.94	0.78	1.24	0.97	1.86	1.72
Credit cards	1.86	1.11	3.12	2.96	2.39	2.00	2.22	2.02
Installment loans and other plans	0.91	0.86	0.49	0.46	0.63	0.34	1.73	1.60
All other loans and leases	1.11	0.90	0.98	0.63	0.69	0.56	0.73	0.37
Percent of loans charged-off, net								
Total loans and leases	0.42	0.33	0.51	0.39	0.75	0.58	1.19	0.84
Loans secured by real estate (RE)	0.14	0.12	0.14	0.09	0.14	0.07	0.40	0.10
1- to 4-family residential mortgages	0.10	0.07	0.13	0.11	0.11	0.08	0.59	0.10
Home equity loans	0.05	0.14	0.04	0.13	0.10	0.06	0.34	0.10
Multifamily residential mortgages	0.03	0.02	0.13	0.04	0.02	0.07	-0.01	0.04
Commercial RE loans	0.30	0.20	0.11	0.09	0.18	0.08	0.03	0.06
Construction RE loans	0.03	0.19	0.22	0.07	0.18	0.03	0.12	0.06
Commercial and industrial loans	1.00	0.74	0.83	0.90	1.09	0.84	1.31	0.33
Loans to individuals	1.10	1.06	2.31	1.88	2.58	2.74	3.55	3.52
Credit cards	2.77	2.06	8.61	9.16	5.54	5.23	5.49	5.07
Installment loans and other plans	1.01	1.04	1.02	0.81	1.02	1.03	1.87	2.05
All other loans and leases	0.40	0.22	0.70	0.36	0.63	0.44	0.23	0.12
Loans outstanding ($)								
Total loans and leases	$27,303	$25,381	$169,489	$174,494	$225,138	$231,158	$2,208,684	$2,735,983
Loans secured by real estate (RE)	16,692	15,844	114,999	121,716	130,473	144,694	992,817	1,289,814
1- to 4-family residential mortgages	6,747	6,271	38,218	38,649	51,633	52,383	508,502	647,958
Home equity loans	491	569	6,621	7,524	9,772	11,900	175,819	274,927
Multifamily residential mortgages	427	392	4,456	4,260	4,755	6,240	26,015	29,042
Commercial RE loans	5,261	4,919	46,476	48,734	44,983	49,989	173,216	198,080
Construction RE loans	1,786	1,769	13,781	16,646	16,974	21,757	71,677	88,384
Farmland loans	1,981	1,925	5,444	5,901	1,846	1,827	4,343	5,026
RE loans from foreign offices	0	0	3	2	511	599	33,245	46,397
Commercial and industrial loans	4,377	4,017	27,615	27,996	41,975	46,050	426,037	502,194
Loans to individuals	3,205	2,647	17,106	14,845	37,380	29,582	470,301	568,693
Credit cards*	140	63	3,000	1,971	13,728	11,490	234,025	286,827
Other revolving credit plans	47	47	352	340	1,978	1,216	30,506	32,662
Installment loans	3,018	2,537	13,754	12,534	21,673	16,876	205,770	249,204
All other loans and leases	3,057	2,893	9,956	10,116	15,409	10,956	321,100	377,181
Less: Unearned income	29	20	186	179	99	125	1,571	1,899

Key indicators, FDIC-insured national banks by region
Fourth quarter 2004
(Dollar figures in millions)

	Northeast	Southeast	Central	Midwest	Southwest	West	All institutions
Number of institutions reporting	212	227	372	391	555	149	1,906
Total employees (FTEs)	348,374	226,939	281,857	158,541	90,186	37,029	1,142,926
Selected income data ($)							
Net income	$5,829	$4,535	$3,258	$2,531	$797	$1,334	$18,283
Net interest income	12,961	9,121	9,739	5,402	2,451	3,473	43,147
Provision for loan losses	2,540	(45)	560	461	131	1,139	4,786
Noninterest income	13,154	5,442	8,558	5,326	1,193	2,040	35,714
Noninterest expense	15,337	8,308	13,126	6,380	2,382	2,284	47,818
Net operating income	5,737	4,434	3,158	2,530	799	1,345	18,004
Cash dividends declared	2,605	1,675	2,761	1,125	529	1,106	9,803
Net charge-offs	2,692	207	1,496	830	145	851	6,220
Selected condition data ($)							
Total assets	1,543,042	1,312,923	1,688,639	539,172	279,351	238,486	5,601,612
Total loans and leases	864,381	690,851	857,198	401,515	174,897	178,174	3,167,015
Reserve for losses	17,274	7,113	12,112	5,909	2,124	4,456	48,989
Securities	251,054	303,171	205,815	57,195	58,922	31,912	908,069
Other real estate owned	165	262	569	209	272	52	1,529
Noncurrent loans and leases	11,140	3,275	7,464	4,553	1,264	1,912	29,607
Total deposits	994,636	899,339	986,800	366,658	207,009	126,982	3,581,424
Domestic deposits	596,928	787,527	788,090	349,671	204,748	121,761	2,848,725
Equity capital	182,909	100,466	154,565	58,496	34,121	27,520	558,077
Off-balance-sheet derivatives	19,739,104	20,337,681	45,505,559	643,778	51,452	41,813	86,319,387
Performance ratios (annualized %)							
Return on equity	13.63	18.25	8.46	17.52	10.04	18.92	13.49
Return on assets	1.57	1.41	0.77	1.89	1.16	2.17	1.32
Net interest income to assets	3.49	2.83	2.29	4.03	3.57	5.65	3.12
Loss provision to assets	0.68	-0.01	0.13	0.34	0.19	1.85	0.35
Net operating income to assets	1.54	1.37	0.74	1.89	1.16	2.19	1.30
Noninterest income to assets	3.54	1.69	2.01	3.97	1.74	3.32	2.58
Noninterest expense to assets	4.13	2.58	3.09	4.76	3.47	3.72	3.46
Loss provision to loans and leases	1.22	-0.03	0.26	0.46	0.30	2.48	0.61
Net charge-offs to loans and leases	1.29	0.12	0.69	0.83	0.34	1.85	0.79
Loss provision to net charge-offs	94.36	-21.75	37.44	55.59	89.98	133.91	76.95
Performance ratios (%)							
Percent of institutions unprofitable	6.60	10.13	6.18	4.86	10.99	9.40	8.08
Percent of institutions with earnings gains	65.09	68.72	60.48	60.87	58.38	72.48	62.38
Nonint. income to net operating revenue	50.37	37.37	46.77	49.64	32.74	37.00	45.29
Nonint. expense to net operating revenue	58.73	57.04	71.74	59.47	65.37	41.44	60.64
Condition ratios (%)							
Nonperforming assets to assets	0.74	0.28	0.49	0.89	0.55	0.83	0.57
Noncurrent loans to loans	1.29	0.47	0.87	1.13	0.72	1.07	0.93
Loss reserve to noncurrent loans	155.06	217.22	162.29	129.79	168.11	233.06	165.47
Loss reserve to loans	2.00	1.03	1.41	1.47	1.21	2.50	1.55
Equity capital to assets	11.85	7.65	9.15	10.85	12.21	11.54	9.96
Leverage ratio	8.07	6.44	6.56	8.28	8.20	9.28	7.31
Risk-based capital ratio	13.60	10.90	11.80	12.05	12.70	14.24	12.26
Net loans and leases to assets	54.90	52.08	50.05	73.37	61.85	72.84	55.66
Securities to assets	16.27	23.09	12.19	10.61	21.09	13.38	16.21
Appreciation in securities (% of par)	0.56	0.79	-0.05	2.19	0.05	0.17	0.55
Residential mortgage assets to assets	15.22	37.16	19.72	25.77	25.69	20.02	23.46
Total deposits to assets	64.46	68.50	58.44	68.00	74.10	53.24	63.94
Core deposits to assets	31.89	53.58	40.81	55.03	59.34	45.36	43.83
Volatile liabilities to assets	42.46	29.28	34.61	22.72	23.94	35.85	33.90

Loan performance, FDIC-insured national banks by region
Fourth quarter 2004
(Dollar figures in millions)

	Northeast	Southeast	Central	Midwest	Southwest	West	All institutions
Percent of loans past due 30-89 days							
Total loans and leases	1.05	0.56	0.84	0.94	0.79	1.27	0.87
Loans secured by real estate (RE)	0.68	0.61	0.93	0.80	0.76	0.58	0.75
1- to 4-family residential mortgages	0.85	0.90	1.34	1.18	1.02	0.84	1.05
Home equity loans	0.39	0.35	0.40	0.42	0.43	0.11	0.39
Multifamily residential mortgages	0.34	0.04	0.56	0.13	1.14	0.30	0.39
Commercial RE loans	0.38	0.21	0.68	0.41	0.59	0.31	0.44
Construction RE loans	0.36	0.15	0.84	1.14	0.64	0.85	0.61
Commercial and industrial loans	0.53	0.25	0.70	0.58	0.63	1.08	0.56
Loans to individuals	2.12	1.47	1.23	1.88	1.51	2.18	1.84
Credit cards	2.39	1.34	1.28	2.22	1.86	2.29	2.21
Installment loans and other plans	2.16	1.57	1.28	1.42	1.56	1.82	1.67
All other loans and leases	0.31	0.14	0.39	0.27	0.68	0.46	0.31
Percent of loans noncurrent							
Total loans and leases	1.29	0.47	0.87	1.13	0.72	1.07	0.93
Loans secured by real estate (RE)	0.57	0.35	0.90	1.18	0.67	0.35	0.68
1- to 4-family residential mortgages	0.41	0.41	1.19	2.08	0.78	0.24	0.86
Home equity loans	0.13	0.13	0.26	0.19	0.19	0.04	0.18
Multifamily residential mortgages	0.18	0.13	0.63	0.67	0.51	0.32	0.42
Commercial RE loans	0.76	0.42	1.06	0.69	0.71	0.49	0.72
Construction RE loans	0.37	0.18	0.64	0.61	0.46	0.41	0.44
Commercial and industrial loans	1.42	0.86	1.54	0.72	0.95	0.92	1.22
Loans to individuals	2.39	0.75	0.54	1.50	0.55	1.99	1.66
Credit cards	2.20	0.99	1.05	2.11	1.40	2.08	2.03
Installment loans and other plans	3.26	0.80	0.38	0.51	0.53	1.71	1.46
All other loans and leases	0.43	0.39	0.27	0.56	0.76	0.51	0.39
Percent of loans charged-off, net							
Total loans and leases	1.29	0.12	0.69	0.83	0.34	1.85	0.79
Loans secured by real estate (RE)	0.07	0.03	0.21	0.06	0.10	0.02	0.09
1- to 4-family residential mortgages	0.04	0.03	0.27	0.05	0.08	0.03	0.10
Home equity loans	0.05	0.03	0.17	0.11	0.21	0.00	0.10
Multifamily residential mortgages	0.05	-0.01	0.07	0.06	0.00	0.01	0.04
Commercial RE loans	0.01	0.04	0.16	0.03	0.10	0.00	0.07
Construction RE loans	0.04	0.02	0.12	0.03	0.06	0.02	0.06
Commercial and industrial loans	0.40	0.20	0.42	0.71	0.52	0.38	0.40
Loans to individuals	3.86	0.74	3.20	3.40	1.47	5.01	3.43
Credit cards	5.13	3.75	4.30	4.89	3.71	5.73	5.10
Installment loans and other plans	2.28	0.71	2.80	0.89	1.35	0.73	1.94
All other loans and leases	0.09	0.08	0.20	0.05	0.62	0.00	0.13
Loans outstanding ($)							
Total loans and leases	$864,381	$690,851	$857,198	$401,515	$174,897	$178,174	$3,167,015
Loans secured by real estate (RE)	299,599	428,715	421,151	233,552	114,888	74,165	1,572,069
1- to 4-family residential mortgages	137,914	238,583	195,369	105,540	37,071	30,783	745,260
Home equity loans	56,984	66,509	87,923	64,996	13,501	5,007	294,920
Multifamily residential mortgages	7,182	7,613	14,117	4,629	2,933	3,459	39,934
Commercial RE loans	45,698	76,237	80,480	39,659	34,555	25,094	301,722
Construction RE loans	11,170	34,941	37,918	14,290	20,960	9,277	128,556
Farmland loans	917	1,876	3,846	4,437	3,060	544	14,679
RE loans from foreign offices	39,733	2,956	1,498	0	2,810	1	46,998
Commercial and industrial loans	174,749	118,357	169,059	54,163	36,739	27,190	580,257
Loans to individuals	269,131	56,774	125,060	81,285	15,042	68,475	615,767
Credit cards	155,853	558	33,363	50,795	796	58,985	300,351
Other revolving credit plans	20,700	3,486	5,217	2,570	596	1,697	34,265
Installment loans	92,578	52,731	86,480	27,920	13,650	7,793	281,151
All other loans and leases	122,539	87,292	141,992	32,540	8,350	8,432	401,146
Less: Unearned income	1,637	288	64	24	122	88	2,224

Key indicators, FDIC-insured commercial banks
Annual 2000--2003, year-to-date through December 31, 2004, fourth quarter 2003, and fourth quarter 2004
(Dollar figures in millions)

	2000	2001	2002	2003	Preliminary 2004YTD	2003Q4	Preliminary 2004Q4
Number of institutions reporting	8,315	8,080	7,888	7,770	7,630	7,770	7,630
Total employees (FTEs)	1,670,758	1,701,721	1,745,614	1,759,517	1,814,470	1,759,517	1,814,470
Selected income data ($)							
Net income	$70,795	$73,830	$89,722	$102,440	$104,724	$26,456	$27,030
Net interest income	203,584	214,676	236,656	239,981	249,689	61,978	66,944
Provision for loan losses	30,026	43,337	48,195	34,837	26,203	8,458	6,888
Noninterest income	154,247	158,206	172,408	186,507	184,083	48,880	50,259
Noninterest expense	216,831	223,254	233,587	245,991	257,634	64,569	71,056
Net operating income	72,383	71,002	85,425	98,193	102,020	25,803	26,796
Cash dividends declared	53,854	54,228	67,536	77,838	55,696	23,094	15,808
Net charge-offs	24,771	36,474	44,538	37,933	29,155	9,996	8,295
Selected condition data ($)							
Total assets	6,245,560	6,552,421	7,076,584	7,601,142	8,412,844	7,601,142	8,412,844
Total loans and leases	3,815,498	3,884,336	4,156,181	4,428,843	4,904,782	4,428,843	4,904,782
Reserve for losses	64,120	72,273	76,999	77,152	73,513	77,152	73,513
Securities	1,078,985	1,172,540	1,334,826	1,456,311	1,551,261	1,456,311	1,551,261
Other real estate owned	2,912	3,569	4,165	4,218	3,369	4,218	3,369
Noncurrent loans and leases	42,930	54,578	60,550	52,949	42,093	52,949	42,093
Total deposits	4,179,567	4,377,558	4,689,852	5,029,020	5,592,825	5,029,020	5,592,825
Domestic deposits	3,472,901	3,748,042	4,031,815	4,287,849	4,726,933	4,287,849	4,726,933
Equity capital	530,356	593,696	647,448	691,930	850,068	691,930	850,068
Off-balance-sheet derivatives	40,570,263	45,325,982	56,208,607	71,092,735	87,880,946	71,092,735	87,880,946
Performance ratios (annualized %)							
Return on equity	13.99	13.09	14.47	15.31	13.82	15.45	13.08
Return on assets	1.18	1.15	1.33	1.40	1.31	1.41	1.30
Net interest income to assets	3.40	3.35	3.50	3.27	3.12	3.29	3.22
Loss provision to assets	0.50	0.68	0.71	0.48	0.33	0.45	0.33
Net operating income to assets	1.21	1.11	1.26	1.34	1.28	1.37	1.29
Noninterest income to assets	2.58	2.47	2.55	2.54	2.30	2.60	2.42
Noninterest expense to assets	3.62	3.48	3.46	3.35	3.22	3.43	3.42
Loss provision to loans and leases	0.82	1.12	1.21	0.82	0.56	0.77	0.57
Net charge-offs to loans and leases	0.67	0.95	1.12	0.89	0.63	0.91	0.68
Loss provision to net charge-offs	121.14	118.82	108.21	91.84	89.88	84.62	83.04
Performance ratios (%)							
Percent of institutions unprofitable	7.34	8.13	6.64	5.98	5.73	10.51	9.37
Percent of institutions with earnings gains	67.31	56.27	72.68	59.20	65.27	53.98	62.74
Nonint. income to net operating revenue	43.11	42.43	42.15	43.73	42.44	44.09	42.88
Nonint. expense to net operating revenue	60.60	59.87	57.10	57.68	59.39	58.25	60.63
Condition ratios (%)							
Nonperforming assets to assets	0.74	0.92	0.94	0.77	0.55	0.77	0.55
Noncurrent loans to loans	1.13	1.41	1.46	1.20	0.86	1.20	0.86
Loss reserve to noncurrent loans	149.36	132.42	127.17	145.71	174.64	145.71	174.64
Loss reserve to loans	1.68	1.86	1.85	1.74	1.50	1.74	1.50
Equity capital to assets	8.49	9.06	9.15	9.10	10.10	9.10	10.10
Leverage ratio	7.69	7.78	7.83	7.85	7.83	7.85	7.83
Risk-based capital ratio	12.12	12.70	12.77	12.75	12.62	12.75	12.62
Net loans and leases to assets	60.06	58.18	57.64	57.25	57.43	57.25	57.43
Securities to assets	17.28	17.89	18.86	19.16	18.44	19.16	18.44
Appreciation in securities (% of par)	0.20	0.82	2.22	0.84	0.43	0.84	0.43
Residential mortgage assets to assets	20.19	21.64	23.30	23.28	23.29	23.28	23.29
Total deposits to assets	66.92	66.81	66.27	66.16	66.48	66.16	66.48
Core deposits to assets	46.39	48.72	48.68	48.55	47.56	48.55	47.56
Volatile liabilities to assets	34.97	31.45	31.41	31.03	31.68	31.03	31.68

Loan performance, FDIC-insured commercial banks
Annual 2000--2003, year-to-date through December 31, 2004, fourth quarter 2003, and fourth quarter 2004
(Dollar figures in millions)

	2000	2001	2002	2003	Preliminary 2004YTD	2003Q4	Preliminary 2004Q4
Percent of loans past due 30-89 days							
Total loans and leases	1.25	1.37	1.17	1.02	0.87	1.02	0.87
Loans secured by real estate (RE)	1.26	1.31	1.08	0.90	0.73	0.90	0.73
1- to 4-family residential mortgages	1.72	1.69	1.49	1.29	1.05	1.29	1.05
Home equity loans	0.98	0.79	0.59	0.45	0.37	0.45	0.37
Multifamily residential mortgages	0.55	0.72	0.46	0.48	0.36	0.48	0.36
Commercial RE loans	0.74	0.90	0.68	0.56	0.49	0.56	0.49
Construction RE loans	1.06	1.21	0.89	0.69	0.58	0.69	0.58
Commercial and industrial loans	0.83	1.01	0.89	0.72	0.67	0.72	0.67
Loans to individuals	2.47	2.46	2.22	2.08	1.82	2.08	1.82
Credit cards	2.66	2.70	2.72	2.53	2.24	2.53	2.24
Installment loans and other plans	2.34	2.54	2.08	1.93	1.62	1.93	1.62
All other loans and leases	0.64	0.84	0.58	0.48	0.37	0.48	0.37
Percent of loans noncurrent							
Total loans and leases	1.13	1.41	1.46	1.20	0.86	1.20	0.86
Loans secured by real estate (RE)	0.81	0.96	0.89	0.86	0.65	0.86	0.65
1- to 4-family residential mortgages	0.90	0.97	0.93	1.00	0.82	1.00	0.82
Home equity loans	0.37	0.37	0.30	0.24	0.18	0.24	0.18
Multifamily residential mortgages	0.44	0.46	0.38	0.38	0.35	0.38	0.35
Commercial RE loans	0.72	0.96	0.94	0.90	0.69	0.90	0.69
Construction RE loans	0.76	1.06	0.98	0.70	0.44	0.70	0.44
Commercial and industrial loans	1.66	2.41	2.93	2.10	1.17	2.10	1.17
Loans to individuals	1.41	1.43	1.51	1.53	1.46	1.53	1.46
Credit cards	2.01	2.12	2.24	2.22	2.00	2.22	2.00
Installment loans and other plans	0.98	1.12	1.14	1.14	1.12	1.14	1.12
All other loans and leases	0.70	0.97	1.01	0.66	0.40	0.66	0.40
Percent of loans charged-off, net							
Total loans and leases	0.67	0.95	1.12	0.89	0.63	0.91	0.68
Loans secured by real estate (RE)	0.09	0.19	0.15	0.17	0.08	0.26	0.10
1- to 4-family residential mortgages	0.11	0.22	0.14	0.19	0.08	0.37	0.10
Home equity loans	0.18	0.27	0.19	0.20	0.10	0.26	0.10
Multifamily residential mortgages	0.03	0.04	0.08	0.03	0.04	0.02	0.05
Commercial RE loans	0.05	0.13	0.15	0.13	0.07	0.13	0.10
Construction RE loans	0.05	0.14	0.17	0.14	0.05	0.19	0.06
Commercial and industrial loans	0.81	1.43	1.76	1.26	0.50	1.13	0.53
Loans to individuals	2.43	2.73	3.34	3.04	2.82	3.10	3.05
Credit cards	4.39	5.12	6.38	5.57	5.03	5.72	4.97
Installment loans and other plans	1.18	1.29	1.46	1.45	1.28	1.47	1.60
All other loans and leases	0.23	0.40	0.57	0.40	0.15	0.30	0.19
Loans outstanding ($)							
Total loans and leases	$3,815,498	$3,884,336	$4,156,181	$4,428,843	$4,904,782	$4,428,843	$4,904,782
Loans secured by real estate (RE)	1,673,324	1,800,228	2,068,153	2,272,851	2,624,587	2,272,851	2,624,587
1- to 4-family residential mortgages	790,028	810,781	945,708	994,156	1,083,282	994,156	1,083,282
Home equity loans	127,694	154,193	214,724	284,511	398,897	284,511	398,897
Multifamily residential mortgages	60,406	64,131	71,934	79,678	87,907	79,678	87,907
Commercial RE loans	466,453	505,882	555,990	602,725	667,104	602,725	667,104
Construction RE loans	162,613	193,014	207,452	231,510	289,929	231,510	289,929
Farmland loans	34,096	35,533	38,066	40,699	44,599	40,699	44,599
RE loans from foreign offices	32,033	36,695	34,280	39,572	52,869	39,572	52,869
Commercial and industrial loans	1,051,992	981,130	910,808	869,350	908,492	869,350	908,492
Loans to individuals	606,695	629,412	703,748	770,351	838,976	770,351	838,976
Credit cards*	249,425	232,448	275,957	316,006	371,698	316,006	371,698
Other revolving credit plans	.	34,202	38,209	37,558	39,165	37,558	39,165
Installment loans	357,269	362,762	389,582	416,786	428,112	416,786	428,112
All other loans and leases	486,400	476,689	476,873	519,160	535,935	519,160	535,935
Less: Unearned income	2,912	3,123	3,401	2,870	3,208	2,870	3,208

*Prior to March 2001, credit cards included "Other revolving credit plans."

Key indicators, FDIC-insured commercial banks by asset size
Fourth quarter 2003 and fourth quarter 2004
(Dollar figures in millions)

	Less than $100M		$100M to $1B		$1B to $10B		Greater than $10B	
	2003Q4	2004Q4	2003Q4	2004Q4	2003Q4	2004Q4	2003Q4	2004Q4
Number of institutions reporting	3,912	3,655	3,434	3,530	341	360	83	85
Total employees (FTEs)	77,641	70,166	300,622	298,969	236,215	230,458	1,145,039	1,214,877
Selected income data ($)								
Net income	$412	$402	$2,807	$2,939	$3,344	$3,377	$19,893	$20,313
Net interest income	1,919	1,842	8,617	9,299	8,439	8,821	43,002	46,983
Provision for loan losses	161	120	754	692	1,004	898	6,540	5,178
Noninterest income	616	469	3,545	3,305	5,516	5,474	39,203	41,011
Noninterest expense	1,843	1,684	8,001	7,934	7,975	8,175	46,751	53,263
Net operating income	403	401	2,507	2,940	3,313	3,389	19,580	20,066
Cash dividends declared	433	424	2,143	1,929	4,107	1,700	16,412	11,755
Net charge-offs	140	107	837	633	1,016	754	8,003	6,801
Selected condition data ($)								
Total assets	200,816	189,048	909,981	953,422	947,238	973,041	5,543,106	6,297,333
Total loans and leases	121,846	116,643	592,238	641,905	576,567	627,900	3,138,192	3,518,334
Reserve for losses	1,813	1,677	8,559	8,907	9,489	9,200	57,291	53,729
Securities	50,128	46,770	215,221	210,519	241,433	223,057	949,530	1,070,915
Other real estate owned	317	275	1,183	1,076	628	494	2,090	1,523
Noncurrent loans and leases	1,345	1,107	5,321	4,540	5,483	4,466	40,801	31,980
Total deposits	169,090	158,201	736,873	770,867	645,806	666,535	3,477,251	3,997,222
Domestic deposits	169,071	158,179	735,776	769,169	635,732	655,438	2,747,270	3,144,147
Equity capital	22,635	21,788	90,130	95,309	100,175	106,089	478,990	626,883
Off-balance-sheet derivatives	117	90	6,179	6,693	68,944	76,734	71,290,533	88,216,260
Performance ratios (annualized %)								
Return on equity	7.31	7.38	12.61	12.45	13.65	12.82	16.74	13.43
Return on assets	0.83	0.86	1.25	1.25	1.43	1.41	1.45	1.31
Net interest income to assets	3.86	3.94	3.83	3.95	3.62	3.68	3.13	3.02
Loss provision to assets	0.32	0.26	0.34	0.29	0.43	0.38	0.48	0.33
Net operating income to assets	0.81	0.86	1.11	1.25	1.42	1.42	1.43	1.29
Noninterest income to assets	1.24	1.00	1.58	1.40	2.36	2.29	2.85	2.64
Noninterest expense to assets	3.71	3.61	3.56	3.37	3.42	3.42	3.40	3.42
Loss provision to loans and leases	0.53	0.42	0.52	0.44	0.71	0.58	0.84	0.59
Net charge-offs to loans and leases	0.46	0.37	0.57	0.40	0.71	0.49	1.03	0.78
Loss provision to net charge-offs	114.75	111.86	90.02	109.43	98.89	119.10	81.72	76.13
Performance ratios (%)								
Percent of institutions unprofitable	16.41	15.40	4.54	3.88	4.99	3.89	2.41	1.18
Percent of institutions with earnings gains	51.18	55.84	56.73	68.58	57.48	75.00	57.83	64.71
Nonint. income to net operating revenue	24.31	20.30	29.15	26.22	39.53	38.29	47.69	46.61
Nonint. expense to net operating revenue	72.71	72.86	65.79	62.95	57.15	57.19	56.87	60.53
Condition ratios (%)								
Nonperforming assets to assets	0.83	0.73	0.72	0.59	0.65	0.51	0.80	0.54
Noncurrent loans to loans	1.10	0.95	0.90	0.71	0.95	0.71	1.30	0.91
Loss reserve to noncurrent loans	134.82	151.46	160.85	196.18	173.07	206.01	140.42	168.01
Loss reserve to loans	1.49	1.44	1.45	1.39	1.65	1.47	1.83	1.53
Equity capital to assets	11.27	11.52	9.90	10.00	10.58	10.90	8.64	9.95
Leverage ratio	10.90	11.31	9.32	9.47	9.26	9.36	7.24	7.23
Risk-based capital ratio	17.56	17.93	14.26	14.06	14.65	13.92	12.07	12.07
Net loans and leases to assets	59.77	60.81	64.14	66.39	59.87	63.58	55.58	55.02
Securities to assets	24.96	24.74	23.65	22.08	25.49	22.92	17.13	17.01
Appreciation in securities (% of par)	1.08	0.10	1.16	0.33	1.03	0.21	0.71	0.51
Residential mortgage assets to assets	20.70	20.45	22.27	21.77	26.89	25.75	22.93	23.23
Total deposits to assets	84.20	83.68	80.98	80.85	68.18	68.50	62.73	63.47
Core deposits to assets	71.84	71.04	67.90	66.92	56.01	55.45	43.26	42.71
Volatile liabilities to assets	14.14	14.69	17.57	18.61	24.71	26.57	34.92	34.96

Loan performance, FDIC-insured commercial banks by asset size
Fourth quarter 2003 and fourth quarter 2004
(Dollar figures in millions)

	Less than $100M		$100M to $1B		$1B to $10B		Greater than $10B	
	2003Q4	2004Q4	2003Q4	2004Q4	2003Q4	2004Q4	2003Q4	2004Q4
Percent of loans past due 30-89 days								
Total loans and leases	1.41	1.26	1.01	0.89	0.95	0.79	1.02	0.86
Loans secured by real estate (RE)	1.28	1.14	0.88	0.75	0.71	0.58	0.93	0.74
1- to 4-family residential mortgages	1.92	1.75	1.49	1.29	1.02	0.92	1.28	1.01
Home equity loans	0.61	0.47	0.39	0.36	0.48	0.31	0.44	0.38
Multifamily residential mortgages	0.66	0.71	0.62	0.40	0.29	0.36	0.49	0.34
Commercial RE loans	0.94	0.82	0.60	0.56	0.56	0.40	0.51	0.48
Construction RE loans	0.86	0.76	0.67	0.53	0.64	0.56	0.70	0.60
Commercial and industrial loans	1.52	1.39	1.04	0.97	0.99	0.98	0.60	0.56
Loans to individuals	2.70	2.53	2.23	2.21	2.22	1.82	2.04	1.78
Credit cards	2.47	2.05	4.90	5.86	3.20	2.59	2.42	2.15
Installment loans and other plans	2.75	2.58	1.96	1.81	1.81	1.46	1.91	1.59
All other loans and leases	0.72	0.60	0.69	0.57	0.45	0.46	0.46	0.35
Percent of loans noncurrent								
Total loans and leases	1.10	0.95	0.90	0.71	0.95	0.71	1.30	0.91
Loans secured by real estate (RE)	0.97	0.84	0.80	0.62	0.80	0.60	0.88	0.67
1- to 4-family residential mortgages	0.99	0.95	0.81	0.69	0.84	0.67	1.06	0.86
Home equity loans	0.25	0.25	0.21	0.18	0.28	0.19	0.23	0.18
Multifamily residential mortgages	0.51	0.50	0.46	0.47	0.43	0.23	0.32	0.36
Commercial RE loans	1.06	0.92	0.85	0.69	0.90	0.72	0.91	0.66
Construction RE loans	0.83	0.54	0.80	0.45	0.75	0.46	0.62	0.43
Commercial and industrial loans	1.73	1.47	1.27	1.03	1.40	1.00	2.35	1.21
Loans to individuals	1.01	0.94	0.94	0.90	1.11	0.93	1.64	1.56
Credit cards	1.74	1.33	3.61	3.54	2.24	1.93	2.19	1.98
Installment loans and other plans	1.01	0.95	0.61	0.59	0.55	0.37	1.31	1.29
All other loans and leases	1.02	0.84	1.04	0.67	0.77	0.61	0.62	0.35
Percent of loans charged-off, net								
Total loans and leases	0.46	0.37	0.57	0.40	0.71	0.49	1.03	0.78
Loans secured by real estate (RE)	0.14	0.14	0.15	0.11	0.20	0.10	0.31	0.09
1- to 4-family residential mortgages	0.15	0.14	0.15	0.13	0.12	0.08	0.45	0.10
Home equity loans	0.13	0.04	0.07	0.08	0.18	0.13	0.29	0.10
Multifamily residential mortgages	0.01	0.02	0.09	0.10	0.03	0.03	-0.01	0.03
Commercial RE loans	0.20	0.18	0.16	0.12	0.22	0.12	0.05	0.07
Construction RE loans	0.11	0.13	0.19	0.08	0.42	0.06	0.10	0.05
Commercial and industrial loans	1.24	0.87	1.03	0.92	0.92	0.80	1.17	0.41
Loans to individuals	1.19	1.16	3.06	2.05	2.90	2.29	3.18	3.23
Credit cards	2.94	2.91	18.42	9.89	6.18	4.60	5.37	4.92
Installment loans and other plans	1.15	1.13	1.08	1.08	1.26	0.96	1.57	1.75
All other loans and leases	0.39	0.28	0.59	0.38	0.53	0.42	0.26	0.16
Loans outstanding ($)								
Total loans and leases	$121,846	$116,643	$592,238	$641,905	$576,567	$627,900	$3,138,192	$3,518,334
Loans secured by real estate (RE)	75,318	73,238	415,868	462,508	359,542	410,403	1,422,123	1,678,438
1- to 4-family residential mortgages	30,007	28,331	127,848	135,521	123,760	127,820	712,541	791,609
Home equity loans	2,418	2,583	22,826	27,305	26,923	33,495	232,345	335,513
Multifamily residential mortgages	1,751	1,599	15,978	16,819	17,353	22,118	44,597	47,371
Commercial RE loans	23,431	22,554	171,983	186,382	134,636	154,277	272,675	303,892
Construction RE loans	7,730	8,229	58,689	75,717	50,566	65,534	114,525	140,450
Farmland loans	9,981	9,942	18,509	20,730	5,238	6,200	6,971	7,727
RE loans from foreign offices	0	0	35	32	1,067	960	38,470	51,877
Commercial and industrial loans	19,878	18,545	96,960	101,015	105,914	113,769	646,598	675,162
Loans to individuals	13,012	11,528	50,748	48,261	78,257	73,037	628,334	706,150
Credit cards*	286	182	5,804	5,419	27,196	26,861	282,721	339,236
Other revolving credit plans	183	166	1,638	1,475	3,115	2,756	32,622	34,769
Installment loans	12,543	11,180	43,306	41,367	47,946	43,420	312,991	332,145
All other loans and leases	13,727	13,408	29,233	30,708	33,304	31,168	442,896	460,651
Less: Unearned income	89	75	570	587	450	478	1,760	2,068

Key indicators, FDIC-insured commercial banks by region
Fourth quarter 2004
(Dollar figures in millions)

	Northeast	Southeast	Central	Midwest	Southwest	West	All institutions
Number of institutions reporting	595	1,073	1,603	1,988	1,704	667	7,630
Total employees (FTEs)	495,724	413,127	409,667	214,673	173,671	107,608	1,814,470
Selected income data ($)							
Net income	$7,942	$6,673	$4,722	$3,112	$1,447	$3,135	$27,030
Net interest income	17,934	15,159	14,187	7,218	4,686	7,759	66,944
Provision for loan losses	2,985	747	784	619	271	1,481	6,888
Noninterest income	18,232	10,020	10,590	5,872	1,895	3,651	50,259
Noninterest expense	21,691	14,908	17,250	7,844	4,311	5,053	71,056
Net operating income	7,828	6,588	4,666	3,112	1,448	3,154	26,796
Cash dividends declared	4,636	3,025	3,628	1,448	1,093	1,977	15,808
Net charge-offs	3,260	813	1,790	981	281	1,170	8,295
Selected condition data ($)							
Total assets	2,268,721	2,029,617	2,233,505	723,566	509,915	647,520	8,412,844
Total loans and leases	1,208,735	1,181,159	1,219,107	529,532	317,596	448,653	4,904,782
Reserve for losses	22,835	13,573	16,930	7,900	4,071	8,203	73,513
Securities	470,725	434,923	314,704	96,026	119,464	115,419	1,551,261
Other real estate owned	318	759	1,012	443	616	222	3,369
Noncurrent loans and leases	14,198	6,119	10,413	5,535	2,418	3,411	42,093
Total deposits	1,469,052	1,397,186	1,388,245	513,517	395,031	429,795	5,592,825
Domestic deposits	990,107	1,264,409	1,162,747	496,530	392,647	420,492	4,726,933
Equity capital	254,967	177,779	205,986	77,491	57,036	76,808	850,068
Off-balance-sheet derivatives	20,879,520	20,523,266	45,636,245	647,174	52,761	141,981	87,880,946
Performance ratios (annualized %)							
Return on equity	13.07	15.56	9.22	16.25	10.60	16.52	13.08
Return on assets	1.44	1.34	0.84	1.73	1.15	1.95	1.30
Net interest income to assets	3.25	3.04	2.53	4.02	3.73	4.83	3.22
Loss provision to assets	0.54	0.15	0.14	0.34	0.22	0.92	0.33
Net operating income to assets	1.42	1.32	0.83	1.73	1.15	1.96	1.29
Noninterest income to assets	3.31	2.01	1.89	3.27	1.51	2.27	2.42
Noninterest expense to assets	3.94	2.99	3.08	4.37	3.43	3.15	3.42
Loss provision to loans and leases	1.02	0.26	0.26	0.47	0.34	1.33	0.57
Net charge-offs to loans and leases	1.11	0.28	0.58	0.75	0.36	1.05	0.68
Loss provision to net charge-offs	91.57	91.94	43.82	63.14	96.37	126.59	83.04
Performance ratios (%)							
Percent of institutions unprofitable	9.41	10.90	6.36	8.95	11.27	10.49	9.37
Percent of institutions with earnings gains	68.07	68.69	62.57	58.10	58.69	73.01	62.74
Nonint. income to net operating revenue	50.41	39.79	42.74	44.86	28.79	32.00	42.88
Nonint. expense to net operating revenue	59.98	59.21	69.62	59.92	65.50	44.29	60.63
Condition ratios (%)							
Nonperforming assets to assets	0.65	0.35	0.52	0.83	0.60	0.57	0.55
Noncurrent loans to loans	1.17	0.52	0.85	1.05	0.76	0.76	0.86
Loss reserve to noncurrent loans	160.83	221.83	162.59	142.72	168.37	240.52	174.64
Loss reserve to loans	1.89	1.15	1.39	1.49	1.28	1.83	1.50
Equity capital to assets	11.24	8.76	9.22	10.71	11.19	11.86	10.10
Leverage ratio	8.09	7.10	7.09	8.66	8.59	10.18	7.83
Risk-based capital ratio	13.76	11.39	11.98	12.52	13.39	14.35	12.62
Net loans and leases to assets	52.27	57.53	53.82	72.09	61.49	68.02	57.43
Securities to assets	20.75	21.43	14.09	13.27	23.43	17.82	18.44
Appreciation in securities (% of par)	0.32	0.73	0.02	1.37	0.18	0.32	0.43
Residential mortgage assets to assets	18.51	32.73	20.34	23.70	25.45	18.53	23.29
Total deposits to assets	64.75	68.84	62.16	70.97	77.47	66.38	66.48
Core deposits to assets	34.99	54.06	45.05	58.49	62.48	56.00	47.56
Volatile liabilities to assets	42.03	27.37	32.27	21.01	22.31	26.20	31.68

Loan performance, FDIC-insured commercial banks by region
Fourth quarter 2004
(Dollar figures in millions)

	Northeast	Southeast	Central	Midwest	Southwest	West	All institutions
Percent of loans past due 30-89 days							
Total loans and leases	1.03	0.67	0.82	0.93	0.90	0.94	0.87
Loans secured by real estate (RE)	0.74	0.62	0.87	0.79	0.83	0.48	0.73
1- to 4-family residential mortgages	0.90	0.93	1.30	1.18	1.23	0.77	1.05
Home equity loans	0.37	0.34	0.39	0.44	0.42	0.22	0.37
Multifamily residential mortgages	0.17	0.30	0.53	0.35	0.73	0.27	0.36
Commercial RE loans	0.61	0.36	0.62	0.47	0.65	0.29	0.49
Construction RE loans	0.53	0.37	0.77	0.86	0.60	0.59	0.58
Commercial and industrial loans	0.61	0.46	0.70	0.67	0.76	1.23	0.67
Loans to individuals	2.07	1.81	1.25	1.97	1.82	1.74	1.82
Credit cards	2.35	3.05	1.30	2.40	1.76	2.04	2.24
Installment loans and other plans	2.03	1.59	1.30	1.49	1.88	1.23	1.62
All other loans and leases	0.42	0.18	0.43	0.35	0.70	0.40	0.37
Percent of loans noncurrent							
Total loans and leases	1.17	0.52	0.85	1.05	0.76	0.76	0.86
Loans secured by real estate (RE)	0.62	0.40	0.86	1.05	0.70	0.38	0.65
1- to 4-family residential mortgages	0.56	0.47	1.12	1.83	0.81	0.27	0.82
Home equity loans	0.13	0.14	0.25	0.19	0.19	0.10	0.18
Multifamily residential mortgages	0.11	0.33	0.59	0.54	0.51	0.11	0.35
Commercial RE loans	0.71	0.47	1.00	0.71	0.76	0.51	0.69
Construction RE loans	0.44	0.26	0.69	0.61	0.45	0.35	0.44
Commercial and industrial loans	1.45	0.81	1.38	0.83	0.99	1.00	1.17
Loans to individuals	2.19	0.93	0.52	1.49	0.64	1.37	1.46
Credit cards	2.21	1.90	1.07	2.20	1.27	1.82	2.00
Installment loans and other plans	2.55	0.73	0.39	0.53	0.63	0.49	1.12
All other loans and leases	0.38	0.36	0.32	0.54	0.93	0.63	0.40
Percent of loans charged-off, net							
Total loans and leases	1.11	0.28	0.58	0.75	0.36	1.05	0.68
Loans secured by real estate (RE)	0.06	0.06	0.19	0.09	0.11	0.04	0.10
1- to 4-family residential mortgages	0.04	0.05	0.24	0.06	0.12	0.04	0.10
Home equity loans	0.05	0.06	0.16	0.13	0.21	0.05	0.10
Multifamily residential mortgages	0.03	0.05	0.07	0.07	0.11	-0.01	0.05
Commercial RE loans	0.03	0.09	0.21	0.09	0.10	0.04	0.10
Construction RE loans	0.08	0.03	0.13	0.08	0.06	0.02	0.06
Commercial and industrial loans	0.50	0.40	0.44	0.73	0.65	0.91	0.53
Loans to individuals	3.67	1.54	2.78	3.33	1.38	3.51	3.05
Credit cards	5.13	4.87	4.28	5.10	3.57	4.92	4.97
Installment loans and other plans	2.02	0.79	2.35	0.87	1.27	0.67	1.60
All other loans and leases	0.17	0.13	0.26	0.10	0.67	0.03	0.19
Loans outstanding ($)							
Total loans and leases	$1,208,735	$1,181,159	$1,219,107	$529,532	$317,596	$448,653	$4,904,782
Loans secured by real estate (RE)	478,432	747,432	640,729	314,556	213,424	230,014	2,624,587
1- to 4-family residential mortgages	205,535	345,444	267,005	128,163	69,038	68,097	1,083,282
Home equity loans	73,751	107,678	116,827	68,940	16,471	15,230	398,897
Multifamily residential mortgages	18,646	16,647	24,617	7,249	5,454	15,294	87,907
Commercial RE loans	106,586	171,000	154,470	69,315	72,816	92,918	667,104
Construction RE loans	26,982	98,214	65,926	26,149	38,829	33,829	289,929
Farmland loans	1,968	5,493	10,342	14,740	8,006	4,050	44,599
RE loans from foreign offices	44,964	2,956	1,543	0	2,810	596	52,869
Commercial and industrial loans	237,605	198,370	255,563	76,840	60,036	80,079	908,492
Loans to individuals	326,297	123,497	152,840	90,975	28,887	116,481	838,976
Credit cards	181,265	23,862	34,428	52,957	1,419	77,767	371,698
Other revolving credit plans	21,664	5,180	5,796	2,710	824	2,991	39,165
Installment loans	123,367	94,454	112,615	35,307	26,644	35,724	428,112
All other loans and leases	168,233	112,352	170,123	47,211	15,484	22,533	535,935
Less: Unearned income	1,831	491	147	50	235	454	3,208

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.

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.

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.

Special Studies

Special Studies—Rising Household Debt: A Long-Run View

*by Larry Mote, Senior Financial Economist (retired), and Daniel E. Nolle, Senior Financial Economist, Policy Analysis Division**

Introduction

On many measures, household debt is at record high levels, raising concerns among policymakers, analysts, and the business press that households are financially overextended. Much of the popular analysis of recent developments relies on anecdotal evidence and an appeal to the data on short-run trends in the growth of household debt. Analysts point to the run-up in total household debt over the past few years, the recent rise in the ratio of debt-to-income, rising personal bankruptcy rates, etc., to infer that a large percentage of households are in financial and economic peril. There are indeed worrying questions about the nature and scope of household debt. This article argues, however, that the typical appeal to "the data" provides insufficient evidence on the dimensions of the "household debt problem," and indeed ignores important information about the fundamental factors underlying the growth of household debt.

The article is organized as follows. Section I briefly reviews significant dimensions of the recent rise in household debt, showing why it is commonly asserted that rising household debt places the economy in "dire straits." Section II reconsiders recent trends in household debt in the United States in the context of long run trends, as well as in comparison to trends in other developed countries. Section III takes a broad view of the growth of household debt, examining two sets of factors underlying its growth: changing attitudes toward consumer borrowing, and financial innovations. Section IV concludes.

* The views expressed in this article are those of the authors alone, and do not necessarily represent those of the Office of the Comptroller of the Currency (OCC) or the U.S. Treasury Department. The authors wish to thank David Nebhut and Mark Levonian for helpful comments, and Rebecca Miller for editorial assistance.

I. Recent Trends in Household Debt

A popular perspective on recent significant increases in the level and growth of household debt is that a significant percentage of households are in financial crisis.[1] Proponents of this view fear that many households have debt obligations they cannot sustain, and/or that widespread default would result in the event of a shock such as an increase in interest rates, a drop in house prices, or an economic downturn (in particular with rising unemployment, and hence a drop in incomes). Such a turn of events would result in an economy-wide downturn and/or significant banking system instability.

A review of recent trends in household debt seems to support this "dire straits" perspective.[2] Figures 1 and 2 illustrate two key dimensions of the rising trend in household debt on which commentary has been focused.[3] Figure 1 illustrates the growth of household debt since 1990, in both current dollar terms and in constant (i.e., inflation-adjusted) dollar terms. Since 1990, household debt measured in current dollars increased more than 150 percent, and even adjusting for inflation, household debt rose 80 percent.

Of course, an examination of trends in the volume of household debt can be improved upon by incorporating some measure of "ability to pay." One perspective commonly included in analyses is the debt-to-income ratio. Figure 2, for example, shows the overall ratio of household debt-to-disposable personal income. This ratio rose at a fairly steady rate between 1990 and 2000. What stands out in Figure 2, though, is the steep rise in the ratio over the recent past. In particular, household debt-to-disposable personal income rose 12.4 percentage points between 2000 and 2003, providing more than half of the total increase in the ratio over the entire 1990-2003 period.[4]

[1] See for example Warren, Elizabeth (2003), *The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke,* Basic; and Sullivan, Teresa A., Elizabeth Warren, and Jay Lawrence Westbrook (2000), *The Fragile Middle Class: Americans in Debt,* New Haven: Yale University Press.

[2] Household debt includes both "consumer debt" (i.e., non-mortgage debt), and mortgage debt.

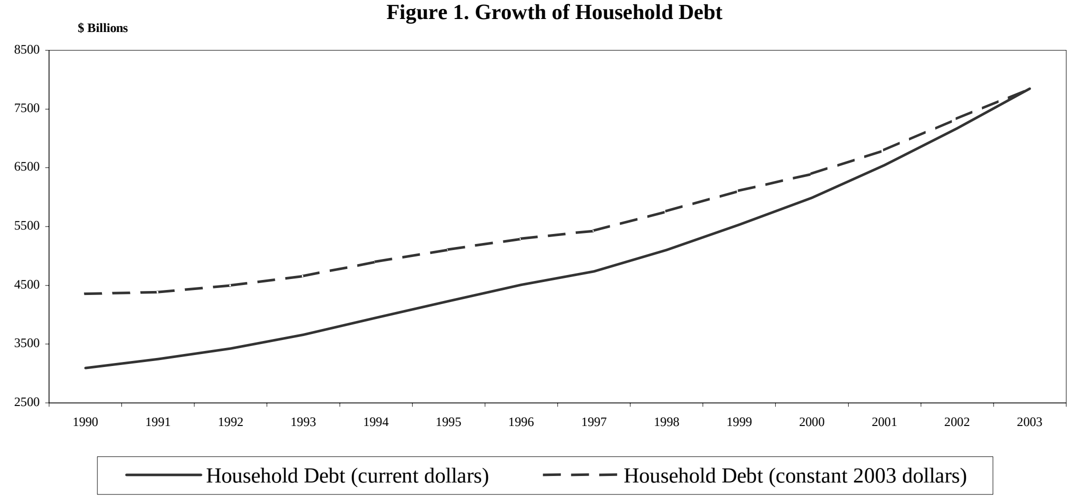
[3] Mote, Larry and Daniel E. Nolle (2004), "Household Debt: Cause for Concern?" manuscript, Office of the Comptroller of the Currency (December), discusses seven additional short-run trends seemingly supporting the dire straits perspective.

[4] Debt-to-income ratios have the disadvantage of comparing stocks to flows. As an alternative, one can compare the stock of household debt to households' net worth. Household net worth in the *Flow of Funds* is calculated by subtracting household liabilities (the largest component of which is home mortgages) from household assets, which include financial assets and tangible assets (primarily real estate, but also consumer durable goods). See Board of Governors of the Federal Reserve System, *Flow of Funds Accounts of the United States* (various issues). Mote and Nolle (2004, Figure 3) show that household "debt-to-equity" ratios of around 17 to 18 percent since 2001 are considerably above the 13 to 16 percent range that characterized the previous ten years. Of course, changes in this ratio can be caused by either changes in the numerator or the denominator; and, in particular, the bursting of the "technology stock bubble," quite apart from increases in debt levels, lowered household net worth somewhat and contributed to the increase in the debt-to-equity ratio.

II. Long-Run and International Trends in Household Debt

A review of short-run trends makes it easy to understand why many observers are increasingly uneasy about the financial prospects of the household sector. This section of the article puts short-run trends in historical perspective, pointing out that current trends in the growth of household debt are continuations of long-run developments. In addition, broadly speaking, trends in the expansion of household debt in the United States are similar to trends in household debt in other advanced economies. While these observations are not by themselves sufficient to completely ease growing concerns about the dangers of rising household debt, they raise questions about the nature of underlying causes. Subsequently, section III addresses that issue.

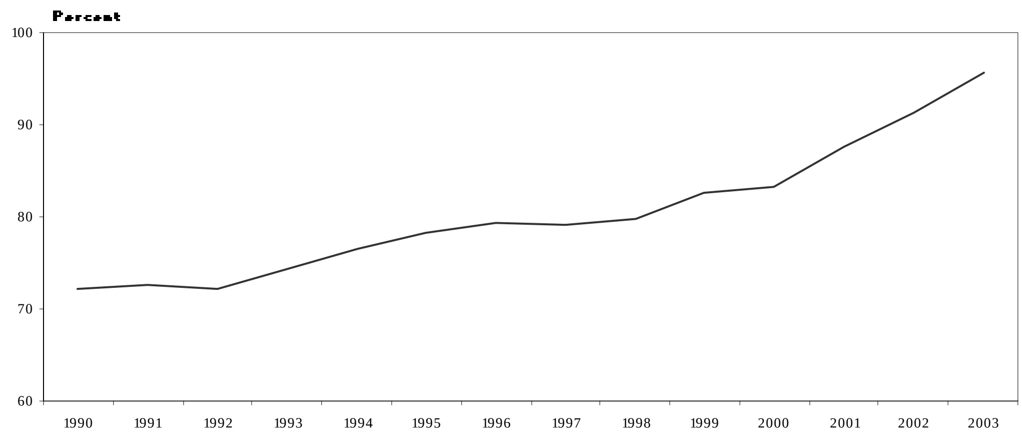
Figure 1. Growth of Household Debt



Source: *Flow of Funds,* Board of Governors of the Federal Reserve System; Bureaus of Labor Statistics.

Another perspective on "ability-to-pay" is captured in Federal Reserve System's "debt service ratio" (DSR). The DSR shows households' required debt service payments relative to their disposable income, and is therefore a measure of the resources households must devote each month to service their debt. Recently, the Federal Reserve created a broader debt service ratio, the "financial obligation ratio" (FOR), which adds to the debt principal and interest payments in the DSR such recurring obligations as rent, auto leases, homeowners' insurance, and property taxes. Regardless of which ratio one uses, it is clear that both have risen to levels significantly beyond their historical averages. In particular, prior to 2000, the DSR had never exceeded 12.5 percent; since 2000 it has remained well above that level. Similarly, since the end of 2000, the FOR has remained significantly above its previous high of 17.9 percent. Mote and Nolle (2004, Figure 4) illustrate these trends.

Figure 2. Household Debt-to-Disposable Personal Income



Source: *Flow of Funds,* Board of Governors of the Federal Reserve System.

Table 1 documents the increase in access to and use of home-secured debt (primarily first mortgages) throughout much of the post-World War II period. In particular, row two shows that the percentage of households with mortgage or other home-secured debt nearly doubled from 24 percent in 1956 to 45 percent in 2001. Greater access to and use of household credit-termed the "democratization" of credit by some[5]—extends to credit cards as well, but Table 1 tells only

Table 1. The "Democratization" of Household Credit: Percent of Households Using Credit, 1956-2001

Type of Credit	1956	1963	1970	1977	1983	1989	1992	1995	1998	2001
Any[1]	55	61	65	66	70	73	74	75	74	75
Home-Secured[2]	24	34	36	39	37	40	39	41	43	45
Installment	45	50	49	51	51	49	46	46	44	45
Credit Card with Revolving Balance	N/A	N/A	22	N/A	37	40	44	47	44	44

Sources: Durkin (2002); Survey of Consumer Finances, Board of Governors of the Federal Reserve System (various issues).

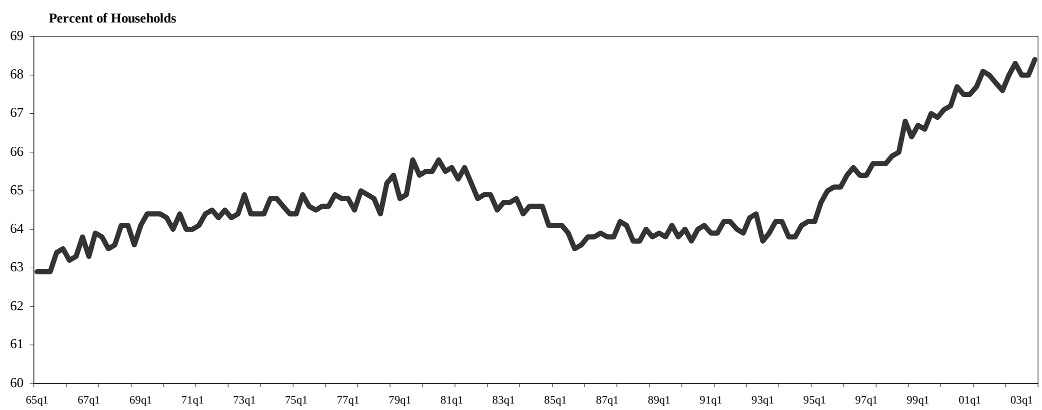
[1]Mortgage or installment or credit card with revolving balance for 1956-1977.

[2]Mortgage only for 1956-1977.

[5] See, for example, Durkin, Thomas A. (2002), "Discussion on 'The Evolution of Consumer Credit in the United States,'" in Thomas A. Durkin and Michael E. Staten (eds), *The Impact of Public Policy on Consumer Credit,* Boston: Kluwer Academic Publishers, pp. 36-42.

part of the story with respect to home-secured credit. In particular, the recent strong growth in mortgage debt has resulted in record-high levels of home ownership. Figure 3 shows that the percent of households owning homes jumped from 64 percent in 1995 to 68 percent at the end of 2003. The fundamental factors explaining the long-run increase in mortgage credit extension (and its mirror image, mortgage debt) are discussed in the next section of the article; they have resulted in what Burhouse (2003) calls a "long-term 'revolution'" that has "profoundly—and permanently—altered the patterns of consumer borrowing and credit quality across the business cycle."[6] In addition, the surge in homeownership rates beginning in 1995 corresponds precisely to what Schuermann (2004) identifies as a "turning point" in household (and small-business) lending."[7]

Figure 3. Home Ownership Rates



Source: Mortgage Bankers Association.

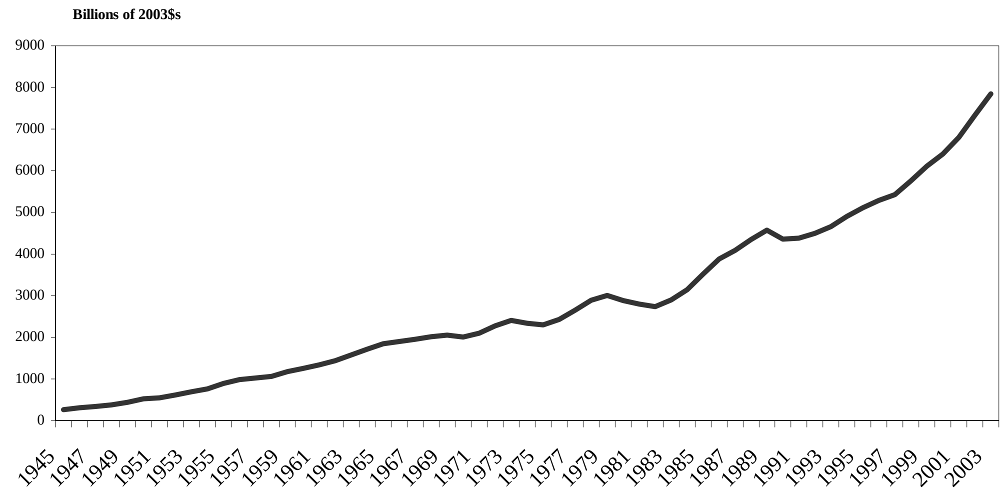
The Federal Reserve System's *Flow of Funds* includes nearly 60 years of data on financial and nonfinancial data, including data for the household sector. Using this data, it is clear from Figures 4 and 5 that there has been a decades-long expansion of household debt. Figure 4 (which is the long-run extension of Figure 1) shows that, in inflation-adjusted terms, household debt rose 30-fold over the 1945 to 2003 period, with increases being realized almost every year. Of course, both total output and the number of households increased substantially over the post-World War II period as well, and for this reason Figure 5 (which is the long-run extension of Figure 2) shows

[6] Burhouse, Susan (2003). "Evaluating the Consumer Lending Revolution," *FYI,* Federal Deposit Insurance Corporation, September 23.

[7] Schuermann, Til (2004), "Why Were Banks Better Off in the 2001 Recession?" *Current Issues in Economics and Finance,* Federal Reserve Bank of New York, 10 (1), January.

the ratio of household debt-to-disposable personal income from 1946-2003. Figure 5 shows that the ratio of household debt-to-disposable personal income increased from 20 percent in 1946 to 96 percent in 2003.[8]

Figure 4. Household Debt 1945-2003



Source: Flow of Funds, Board of Governors of the Federal Reserve System.

The data illustrated in Figures 4 and 5 clearly show that there has been a profound, long-term change in credit extension to households, and that, broadly speaking, recent trends are continuations of long-run trends. It is also useful to consider information on trends in household debt in other countries. Doing so reinforces the notion that recent trends in household debt are a consequence of fundamental economic forces rather than, for example, destabilizing profligacy or household debt extension practices gone awry.

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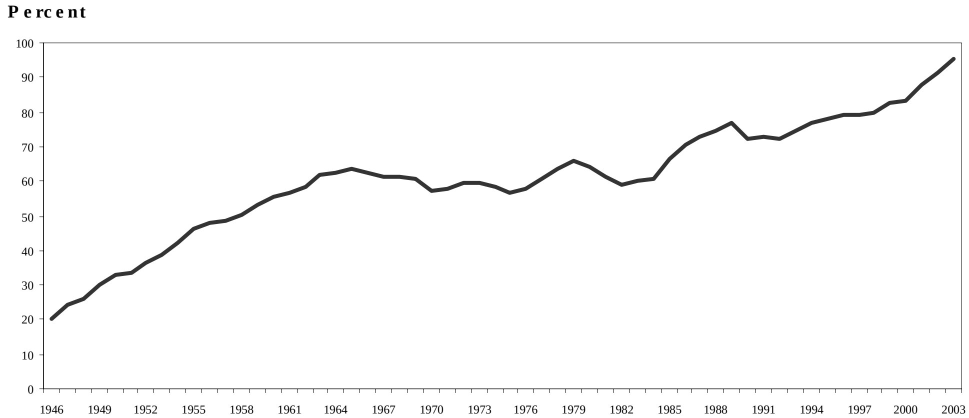
[8] Compared to the detailed data in the *Flow of Funds,* there is relatively little comprehensive macroeconomic data about household debt before the 1940s. Data for the banking sector, however, is of older vintage, and is useful in systematically tracking more remote trends in household debt. For example, Mote and Nolle (2004, Figure 14) show the long-run increase for banks, from 1900 onward, in the relative importance of consumer and mortgage lending compared to business lending ("C&I Loans"). In 1900, loans to households (i.e., mortgage plus consumer loans) were only one-ninth of lending to business; by 2003, bank lending to households was more than twice the amount of bank lending to businesses. These data include only loans on banks' balance sheets and do not factor in securitized loans.

There is not much systematic/comprehensive data for the banking system, nor certainly for the macroeconomy, prior to 1900. However, partial analysis and observers' observations clearly suggest a pattern of gradually rising household debt, as households gained access to credit previously not available. See in particular Calder, Lendol (1999), *Financing the American Dream: A Cultural History of Consumer Credit,* Princeton, New Jersey: Princeton University Press.

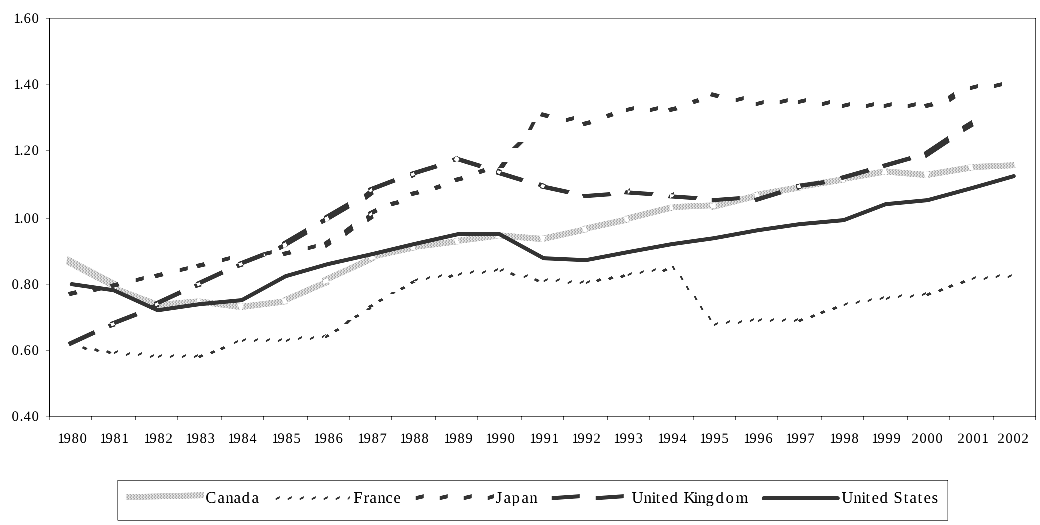
Figure 5. Household Debt-to-Disposable Personal Income 1946-2003



Source: *Flow of Funds,* Board of Governors of the Federal Reserve System.

Using data compiled by the Organisation for Economic Co-operation and Development (OECD), Figure 6 reveals that the long-term upward trend in the U.S. household debt-to-disposable personal income ratio has been replicated in other developed economies.[9] In particular, over the

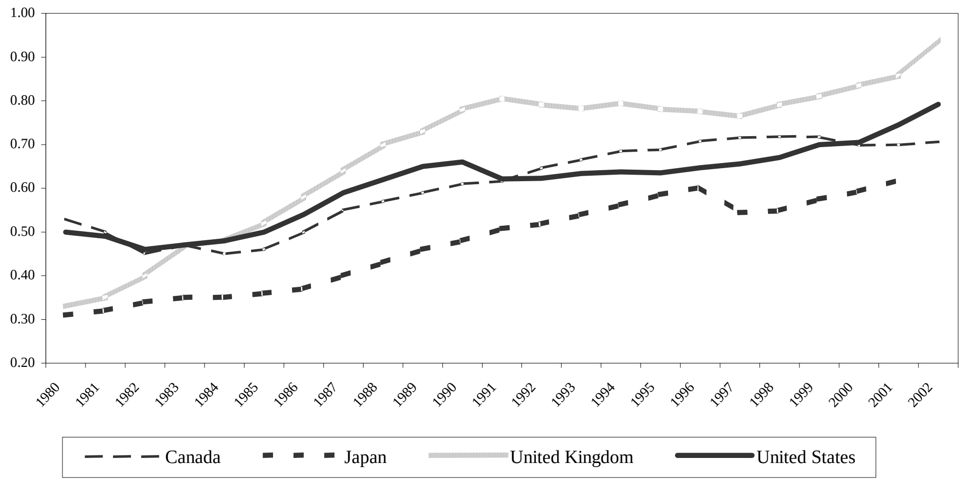
Figure 6. Household Debt-to-Income Ratios: International Comparison



Source: *Economic Outlook* (various issues), OECD.

[9] Organisation for Economic Co-operation and Development, *OECD Economic Outlook,* various issues.

Figure 7. Household Mortgage Debt-to-Income Ratios: International Comparison



Source: *Economic Outlook* (various issues), OECD.

1980-2002 period for which comparable OECD data is available, it is clear that Canada, France, Japan, and the United Kingdom have, like the United States, experienced long-term increases in household debt.[10] In addition, Figure 7 shows that, as for the United States, rising mortgage debt-to-income ratios accounted for the majority of the overall increase in the household debt-to-income ratio in Canada, Japan, and the United Kingdom (the only OECD countries for which comparable data over the time period are available).

III. Explanations for the Growth of Household Debt

A number of fundamental factors have contributed to the growth of household debt over the past several decades, and indeed several have been at work for more than a century. Two categories of factors warranting particular consideration are changing attitudes toward household debt, and financial innovations.[11] This section examines key facets of each of these developments.

[10] Comparable data for Germany and Italy, though for a shorter period of time, show the same pattern.

[11] Mote and Nolle (2004) also consider the impact of changes in laws and regulations on household lending. In particular, they examine the holder-in-due-course doctrine, state usury ceilings, and the consumer protection and antidiscrimination legislation of the late 1960s and 1970s, noting that these measures have had important, but highly varied, impacts on the growth of household credit.

Changing Attitudes Toward Household Debt

There had been a deep-seated conviction on the part of most bankers and economists, dating back several centuries, that lending for consumption purposes was unwise and certain to lead to serious consequences for lender and borrower alike.[12] Until relatively recently, this attitude was an obstacle to increased involvement of financial institutions in household lending. However, two developments led to a dramatic revision in commonly held attitudes toward the extension of credit to households: the articulation of the concept of "time preference," and substantial growth in per capita income.

The concept of *time preference* refers to the continuing desire of consumers to consume more in the present period than their current incomes would permit. Time preference is the underlying determinant of the demand for household credit for consumption purposes. However, rather than reflecting profligacy and recklessness, as imagined by most political economists and moralists from Adam Smith until the mid-twentieth century, time preference has come to be viewed as a very natural desire to allocate lifetime consumption over time in such a manner as to yield the greatest benefit to an individual.

The interaction of time preference with expectations regarding future income in determining the time pattern of consumption for a typical consumer was formalized in the Life-Cycle Hypothesis developed by Franco Modigliani, Richard Brumberg, and Albert Ando in the 1950s and 1960s. The hypothesis holds that most consumers would prefer a relatively constant flow of consumption over their lifetimes. However, because income typically varies systematically with age as one's earning power gradually increases with education and experience up to some point, and then remains constant or declines until retirement (and varies randomly from year to year with the state of the economy and other idiosyncratic developments), households smooth their consumption over time by borrowing in periods of relatively low income and saving for the purpose of repaying debt and/or lending in periods when income is unusually high. Rooted in utility maximization, the Life-Cycle Hypothesis provides a powerful theoretical explanation of, and justification for, household lending for consumption purposes.

Of course, for households' latent demand to become "effective demand" it is necessary that it be backed by purchasing power. In the short run, corresponding to the years before the consumer's prime earning years, purchasing power can be obtained through credit—but only if there is a reasonable prospect that his or her income and accumulated wealth over a lifetime will be adequate to repay debts contracted earlier. Thus, the *growth of per capita incomes* to levels well above

[12] See for example Smith, Adam (1776), *An Inquiry into the Nature and Causes of the Wealth of Nations* (Book II, Chapter IV, p. 333), (reprinted by Random House, New York, 1937, Edwin Cannan (ed.)).

subsistence levels for a large portion of the population was another key factor contributing to the rapid expansion of household debt in the United States and other highly developed countries.[13]

Financial Innovations

Financial innovations have contributed greatly to the expansion of household lending. While it is widely appreciated that recent "financial engineering" developments such as credit scoring and securitization have enhanced credit extension to households, such recent advances were preceded by less visible but nevertheless profoundly significant "low-tech" financial innovations. Key "low-tech" and "high-tech" financial innovations are discussed in the remainder of this section.

Low-Tech Financial Innovations

Possibly because of the "low-tech" nature of some of the earliest financial innovations that helped to reduce the costs of originating and monitoring household loans and to improve payment performance, their significance has not been widely appreciated. Chief among these were the installment plan for household lending, the credit bureau, and the standardization of loan terms, all three of which contributed to reducing the costs and improving the risk management of household lenders.

The Installment Plan. The extension of installment credit by manufacturers and retailers to finance the sale of their goods preceded by a quarter century or more the extension of cash installment loans by financial institutions to individuals and households. Although borrowing by consumers was generally held to be unsound and imprudent, even such severe critics as Adam Smith made an exception for credit that was used to finance expenditures that could be expected to enhance productivity. Under these circumstances, a large proportion of the installment credit extended by manufacturers and retailers in the United States in the second half of the nineteenth century was used to purchase a household item that contributed enormously to household finances—the sewing machine, the first successful design of which had been patented by Elias Howe in 1846 and put into mass production by Isaac Singer in the 1850s.[14] To overcome ingrained resistance to the high price of early sewing machines, in excess of 10 percent of annual income for many households, I. M. Singer and Company introduced the "hire-purchase" plan under which fees for renting a sewing machine could be applied to the purchase of the machine.

[13] The inadequacy of incomes to even cover subsistence needs has long been a key obstacle to economic development in the developing countries; their inability to generate a surplus to finance investment makes them dependent on aid from external sources. To a slightly less debilitating degree, this same inability to borrow characterized most U.S. households until late in the 19th century (Calder [1999]). Unfortunately, there are no data to give us an adequate notion of how much household credit was in fact extended in the 19th and earlier centuries. We have little more than Adam Smith's conviction that such credit was much rarer than was generally supposed, and the anecdotal evidence offered by Calder (1999) that it was more widespread than commonly believed. What we can conclude is that it was much less readily available than it is today and considerably more expensive.

[14] Households used sewing machines either to produce sewn goods for sale to others or, more frequently, to produce clothing for direct use by the members of the household, reducing their dependence on expensive purchased cloth-

By the end of the century, the installment plan had become the method of choice for purchasing not only sewing machines, but many other consumer durables as well, including furniture, pianos, and organs.[15] Ultimately, commercial banks adopted the installment plan once their ingrained reluctance to lend for consumption purposes was overcome by, first, the need to replace the decline in their commercial lending occasioned by the increased reliance of businesses on internally generated funds in the 1920s and, second, by the accumulating evidence that household lending could, indeed, be conducted safely and profitably.[16]

Credit Bureaus. The credit bureau was another simple financial innovation with widespread effects. Prior to the development of credit bureaus, credit information was almost universally treated as proprietary. A serious consequence of the hoarding of credit information was that lenders could not take advantage of each other's experience with a given borrower. Because each lender had to learn independently which borrowers were good credit risks, the costs in terms of credit losses and labor time spent in gathering information were immense. In this environment, firms focusing on the collection and dissemination of credit information on consumer borrowers sprang up in the 1890s, using as models the information collection practices and the compilation of credit reports on commercial firms pioneered in the 1840s by the Dun Company and the Bradstreet Company.[17] Today, there are more than 1,000 local and regional credit bureaus in the United States that collect, and make available to lenders, credit information on individuals. Most of these bureaus are affiliated with one of the three major credit reporting agencies, Experian, Equifax, and TransUnion. These agencies make available to lenders specific information on credit performance, including the number of late or missed payments, total amounts of credit outstanding, unused lines of credit, etc.

ing. The economic significance of the widespread ownership and use of sewing machines is difficult to exaggerate; it reduced the time required to assemble a shirt from 10-14 hours to less than an hour.

[15] According to Calder (1999), Household Finance Corporation, which was founded in 1878 by Frank J. Mackey in Philadelphia and became the prototype of the modern small loan company, was the first financial institution to offer cash loans to consumers on the installment plan. In modified form and accompanied by several additional features designed to enhance repayment performance, the installment plan was adopted by the credit union and Morris Plan Bank movements.

[16] It is difficult to overestimate the disciplining effect of the requirement that borrowers make frequent, small payments of principal and interest at pre-established intervals. Not only did the installment plan eliminate the need for households to set aside large amounts of cash for long periods of time to meet distant obligations, it provided lenders with reliable, ongoing feedback on borrowers' ability to sustain current and growing debt burdens, information vital to debt collection efforts and future credit decisions. By the turn of the 20th century, the installment loan had not only become the favored means of purchasing appliances, clothing, and many other consumption goods, but was about to become the standard means of purchasing automobiles.

[17] The Dun Company (established in 1841) and the Bradstreet Company (established in 1849) merged in 1933 to become today's familiar Dun & Bradstreet Corporation.

Standardization of Lending Terms. The last of the "low-tech" innovations that profoundly contributed to the huge expansion in the volume of household credit since World War II was the standardization of loan products and terms. This development began in earnest in the 1950s and 1960s and permitted the "commoditization" of household lending that has come to characterize the industry. Fostered in the mortgage market by the requirements laid down by Fannie Mae and Freddie Mac for the loans they were willing to purchase, standardization was subsequently propelled by the competitive pressures to achieve economies of scale in credit card and other household lending. This innovation was essential to the success of the financial equivalent of the manufacturing assembly line—automated underwriting and account management. It was also a prerequisite to the development of several relatively "high-tech" financial innovations—credit scoring, automated underwriting, and securitization—that have helped to revolutionize risk management in household lending.

High-Tech Financial Innovations

Credit Scoring and Automated Underwriting. Prior to changes in the 1980s and 1990s, household lending decisions involved relatively costly personal interaction with lending officers, and one-on-one credit evaluations, after which many banks held the loans in their own portfolios. More recently, the household lending process has been dramatically transformed by innovations in information processing, telecommunications, and financial instruments and markets. One of the key elements in this transformation has been the development of credit scoring. Essentially, a credit score is computed by calculating a weighted average of a number of borrower characteristics, past payment performance, and other measures of ability and willingness to pay that are reasonably predictive of future payment performance, and therefore serve as the basis for the decision to grant or deny credit to a given applicant.

First used to evaluate residential mortgages for insurance purposes following the establishment of the Federal Housing Administration in 1934, credit scoring of consumer loans began to be used on a large scale by retailers and personal finance companies during World War II, when many skilled loan officers were lost to the war effort.[18] As in the mortgage market, it initially was based on judgmental weightings of factors that appeared to be plausibly related to repayment performance. However, the widespread introduction of electronic computers for peacetime uses in the 1950s made it possible, for the first time, to analyze large quantities of data quickly and accurately. In 1958, the founders of Fair Isaac Company began using computers to develop credit-scoring systems that incorporated statistically derived weights. Over time, it became apparent

[18] McCorkell, Peter L. (2002), "The Impact of Credit Scoring and Automated Underwriting on Credit Availability," in Thomas A. Durkin and Michael E. Staten (eds), *The Impact of Public Policy on Consumer Credit,* Boston: Kluwer Academic Publishers.

that the company's "FICO" scores were superior to judgmental decision makers in distinguishing good from bad credit risks. Today, consequently, FICO scores are used by virtually all household lenders.[19]

It is but a short step from the development of a reliable credit scoring system to a full-fledged automated underwriting system. Described as "computerized loan approvals" or "automated credit application processing systems," automated underwriting makes use of computers to analyze data on the previous credit performance and other financial characteristics of loan applicants on the basis of pre-established criteria to approve or deny requests for loans. In almost all cases, credit scores (FICO or others) are supplemented with data on the borrower's income and assets—but, in the case of mortgage loans, typically not information on the specific property used as security for the loan—in the approval process. Like credit scoring, automated underwriting has been used for many years to approve credit card and consumer installment loan applications, but only since the late 1990s has it become important in mortgage lending.

Securitization. Securitization consists of pooling a large number of assets of similar type, size, and risk category and then issuing a security whose cash flow is closely tied to those of the underlying assets. It has become a prime means by which lenders raise funds for lending, diversify their own portfolios, and transfer unwanted risk to investors. First practiced in the residential mortgage market, where Fannie Mae and Freddie Mac used it as the primary means of establishing a secondary market for home mortgages, it has since spread to credit card receivables, automobile loans, other consumer installment loans, and—to a limited but growing degree—small business loans. Securitization is most appropriately viewed as a continuation of the unbundling process in financial markets, by which many products and services that were once available only in "bundled" form—i.e., as one part of a combination of different services—are now priced and sold separately. In the case of consumer and mortgage lending, this means that the origination of such loans can be separated from the servicing and risk-bearing aspects of such lending. By allowing lenders and investors to specialize only in those aspects of the credit-providing process for which they are best qualified, securitization contributes to operational efficiency and helps to achieve an optimal distribution of risk. In addition, by increasing the marketability of claims on the interest and principal of various forms of household debt, securitization has undoubtedly lowered the risk of holding those claims and reduced the cost of such debt to consumers.

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[19] As reported by Right Trac Financial Group (2003), *FICO Scores,* (www. fdc.mortgage101.com), the approximate weightings of the five broad categories of variables incorporated in FICO scores are: previous credit performance (35 percent), current level of indebtedness (30 percent), time credit has been in use (15 percent), types of credit available (15 percent), and pursuit of new credit (less than 5 percent). The scores themselves range from 300 (high risk) to 850 (low risk). According to studies sponsored by Fair, Isaac, and Company, "the use of scoring consistently produces 20 to 30 percent improvements—either in reduced delinquency rates or increased acceptance rates—compared with judgmental evaluation." See Martell, Javier, Paul Panichelli, Rich Strauch, and Sally Taylor-Shoff (1997), *The Effectiveness of Scoring on Low-to-Moderate-Income Populations,* San Rafael, CA: Fair, Isaac and Company, Inc.

IV. Summary and Conclusions

Increasingly, analysts, the media, and the public are focusing on household debt issues and, to varying degrees, they are drawing implications about serious economy-wide consequences from rising household debt.[20] Indeed, section I of this article illustrated a number of seemingly disturbing trends in household debt. Subsequently, Section II showed that recent household debt trends are part of long-run trends in credit access for households, and that such trends are characteristic of other developed economies as well as the United States. The observations that household debt trends are long-run in nature, and that similar patterns of household debt behavior exist in other developed economies, do not necessarily mean current developments are sanguine. However, these two observations should raise questions about what explains such broad and historically deep trends.

Section III addresses some of these questions, providing a perspective on fundamental long-run factors underlying the increase in household credit access that is neglected by many observers. This perspective takes account of changing attitudes toward credit extension, the rational desire by households to smooth consumption over time, and financial innovations in credit extension practices. Based on an examination of key economic concepts, and long run trends in household credit extension, it is possible that concerns about negative economy-wide consequences of rising household debt are overwrought.

Of course a conclusion that household debt trends do not threaten macroeconomic stability will not hold under all conditions. Specifically, large and sudden increases in interest rates, or a significant decrease in personal incomes brought about by, for example, a sharp increase in the unemployment rate, could negatively effect households' ability to service debts to an extent that would destabilize the macroeconomy.[21] That said, from a public policy perspective, the appropriate focus should be on macroeconomic measures to prevent or mitigate such "exogenous shocks," rather than on policies aimed at curtailing the extension of household credit and, thereby, consumption patterns.

[20] For example, the Kerry-Edwards presidential campaign chose to focus on aspects of rising consumer debt; and the November 23, 2004, episode of the Public Broadcasting System television show *FRONTLINE* featured a documentary titled "Secret History of the Credit Card," which discussed the nature and implications of rising credit card debt for consumers.

[21] Increasingly, macroeconomists worry about the impact of the large and growing current account deficit on dollar exchange rates, and subsequent monetary policy and interest rate responses. In addition, some observers express concern about macroeconomic consequences of a significant decline in household sector asset values, particularly a sharp drop in housing values. Such a turn of events would lower household wealth, thereby having a negative impact on consumer spending. Subsequently, a decline in consumption could lead to an economic slow down.

Nevertheless, it is possible—many would say likely—that there are two arenas in which rising household debt does or could generate significant problems. First, although empirical research is thin, some observers argue that there is a growing "fragile tier" of financially distressed households. To the extent this is true, it could create significant credit quality problems for some lenders, including some banks. Second, there is an active debate over when, and in what respect, economically justified lending bleeds over into overly aggressive, and perhaps exploitative and deceptive credit extension practices. This in turn raises household debt-related consumer protection issues, and possibly reputation risk issues for lenders. Even though such problems might not destabilize the macroeconomy, they raise significant supervisory and public policy issues. For this reason, further research into these two areas is warranted.

Recent Licensing Decisions

Recent Licensing Decisions

Cases Published during October, November, and December 2004

CRA Decisions

On November 3, 2004, the OCC approved the application for Community Bank, National Association of Canton, NY, to purchase and assume the Dansville, NY, branch of HSBC Bank USA. The OCC received a letter from one commenter expressing concerns that the bank would close the HSBC branch after its acquisition. Community Bank confirmed that it plans to consolidate the operations of an existing branch into HSBC's Dansville branch because the locations are 60 feet from each other. The OCC found the consolidation of these two branches is not expected to have a significant impact on the community due to their proximity. Based on Community Bank's CRA record of performance, the OCC found approval to be consistent with the CRA. [Approval No. 124]

Charters

On September 15, 2004, the OCC granted preliminary conditional approval to the establishment of RBS National Bank, Bridgeport, CT, a new national limited purpose credit card bank. The standard "significant deviation" condition for all new charters was imposed and a condition that requires the bank to commence operations with sufficient capital and surplus as defined in 12 CFR 3.100, to be a well capitalized bank as defined in 12 CFR 6.4 and continue as such for as long as its shall remain a national bank. In addition to the foregoing, the bank shall maintain at least $20 million of additional capital over and above that which is necessary to remain well capitalized. [Conditional Approval No. 650]

Change in Asset Composition

On October 28, 2004, the OCC conditionally approved the applications by Dillard National Bank (DNB), Gilbert, AZ, for a change in the composition of its assets and to merge DNB into Dillard Investment Co. Inc., a nonbank affiliate. The OCC approved the sale of all the deposit liabilities and substantially all the assets of DNB to GE Capital Consumer Card Co., FSB, under 12 CFR 5.53, which requires prior approval of a fundamental change in asset composition. This new regulation became effective on October 1, 2004. The principal purpose of the regulation was to address supervisory concerns raised by so called “dormant” bank charters by providing the OCC with regulatory oversight and a means to monitor them. DNB plans to merge into its nonbank affiliate parent under 12 USC 215a-3 immediately after the transaction that would make DNB a dormant charter. Therefore, the OCC’s concern with a dormant charter is addressed. [Conditional Approval No. 662]

Mergers

On October 13, 2004, the OCC conditionally approved the applications to convert JPMorgan Chase Bank, New York, NY, into a national banking association, and to merge Bank One, NA, Chicago, IL, and Bank One, NA, Columbus, OH, with and into the converted bank. This approval was subject to the condition that after consummation of the conversion and merger the resulting bank, JP Morgan Chase Bank, National Association (JPMCB-National), shall continue to implement appropriate measures to facilitate J.P. Morgan Chase & Co.’s compliance with the written agreement among J.P. Morgan Chase & Co., the Federal Reserve Bank of New York, and the New York State Banking Department, dated July 28, 2003, with respect to activities at JPMCB-National and its subsidiaries. [Conditional Approval No. 658]

Operating Subsidiaries

On September 10, 2004, the OCC approved the application by First National Bank in Durant, Durant, OK, to establish a limited partnership as an operating subsidiary with a wholly owned LLC as the limited partner and a wholly owned corporation as a general partner. This application was originally filed as an after the fact notice pursuant to 12 CFR 5.34(e)(5)(iv). The OCC determined that the application raised a novel legal issue because of the use of a limited partnership as an operating subsidiary. Therefore, the OCC decided to consider this notice as an application requiring an affirmative action for approval. [Approval No. 2004-16]

Capital

On September 28, 2004, the OCC conditionally approved the application by Treasury Bank, National Association, Alexandria, VA, to increase its capital surplus by up to $300 million through a material non-cash contribution. The bank’s parent, Effinity Financial Corporation, will provide the capital contribution by contributing home equity loans having a fair value of up to $300 million. The approval was subject to conditions requiring the bank to submit to the OCC the results of an independent portfolio valuation substantiating the fair market value of the home equity portfolio to be contributed and a qualified independent accounting firm’s verification that the loans were transferred using the value methodology represented in the application. [Conditional Approval No. 653]

Branches

On November 16, 2004, the OCC conditionally approved the applications of FSGBank, NA, Athens, TN, to establish two branch offices under the name of *Primer Banco Seguro, una division de* FSGBank, NA. The branches will be located in Dalton, GA, and will primarily market services to individuals who do not have a relationship with a bank and who would benefit from access to a Spanish-speaking staff. The approval was subject to the condition that prior to offering credit products at the branches, the bank must request and receive no objection from the OCC. The condition does not apply to the 7/1 adjustable rate mortgage or auto installment loans as presented in the bank's application for the branches. [Conditional Approval No. 664]

Special Supervison and Enforcement Activities

Special Supervision and Enforcement Activities

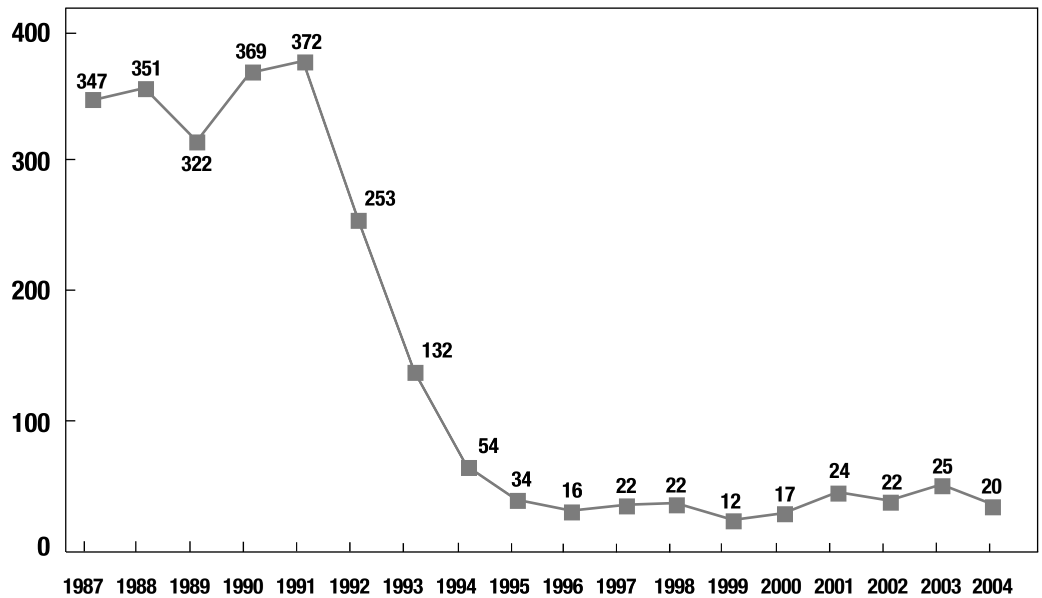
The Special Supervision Division of the Midsize and Community Bank Supervision department supervises critical problem banks through rehabilitation or through other resolution processes such as orderly failure management or the sale, merger, or liquidation of such institutions. The Special Supervision 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 department 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

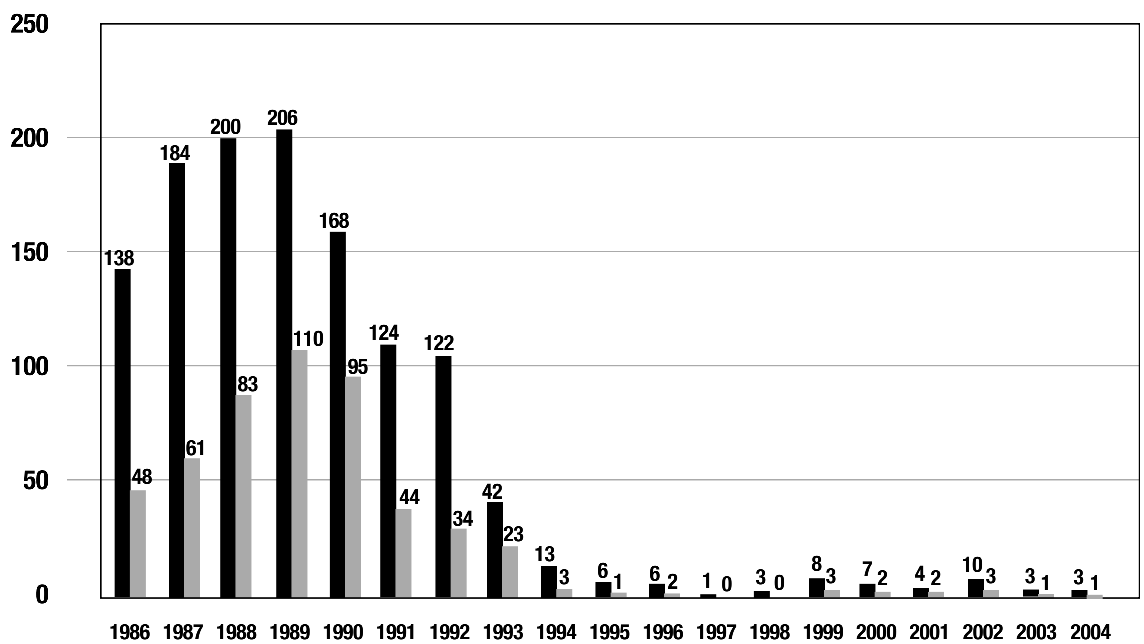
Problem banks represented approximately 1 percent of the national bank population as of December 31, 2004. The volume of problem banks, those with a CAMELS rating of 4 or 5, has been relatively stable for several years. The CAMELS rating is the composite bank rating based on examiner assessment of capital, asset quality, management, earnings, liquidity, and sensitivity to market risk. The total number of problem banks is 20 at December 31, 2004, and declined 20 percent from the number reported at December 31, 2003. This low volume of problem banks reflects the stable economy and generally favorable economic conditions enjoyed for the past several years. One national bank failure occurred during 2004 out of the four commercial bank/savings bank failures.

Figure 1—Total number of banks rated 4 or 5 as of year-end



Source: OCC FINDRS

Figure 2—Total bank failures compared to OCC failures



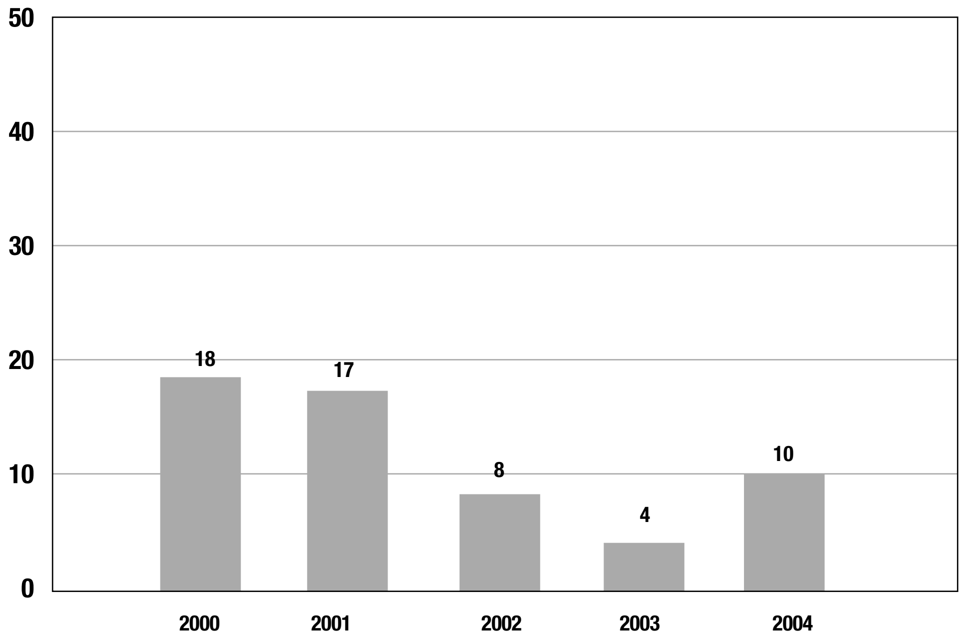
Source: Federal Deposit Insurance Corporation

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.

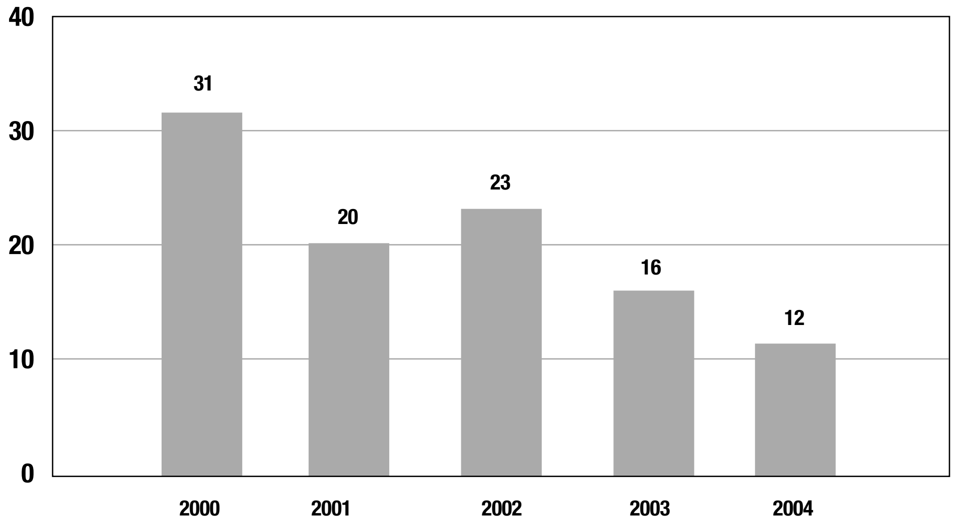
The OCC takes enforcement actions against national banks, parties affiliated with national banks, and servicing companies that provide data processing and other services to national banks. The OCC's informal enforcement actions against banks include commitment letters and memorandums of understanding (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.

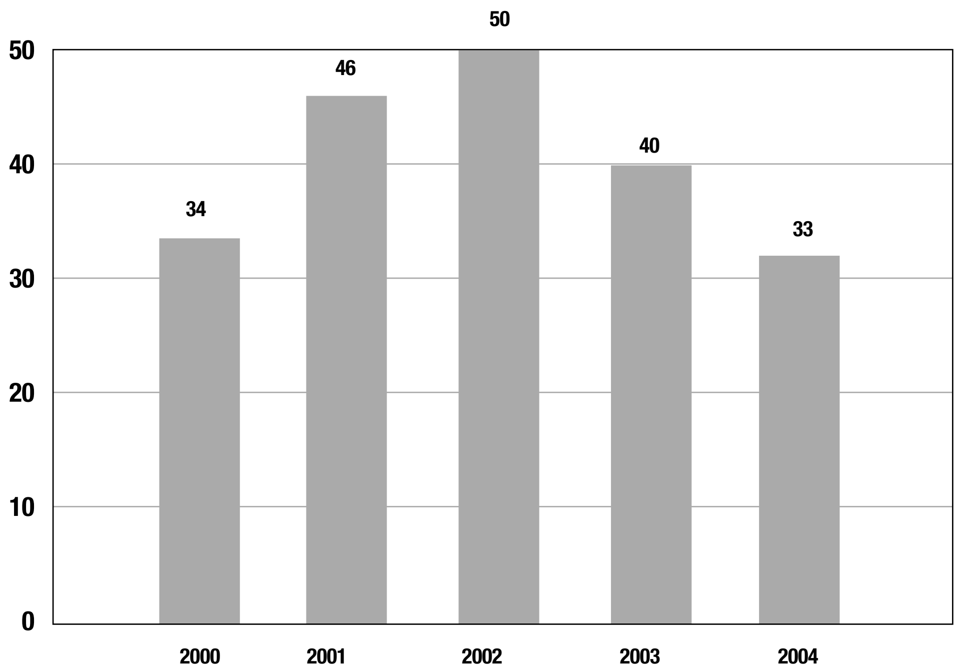
Figure 4—Memorandums of understanding



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

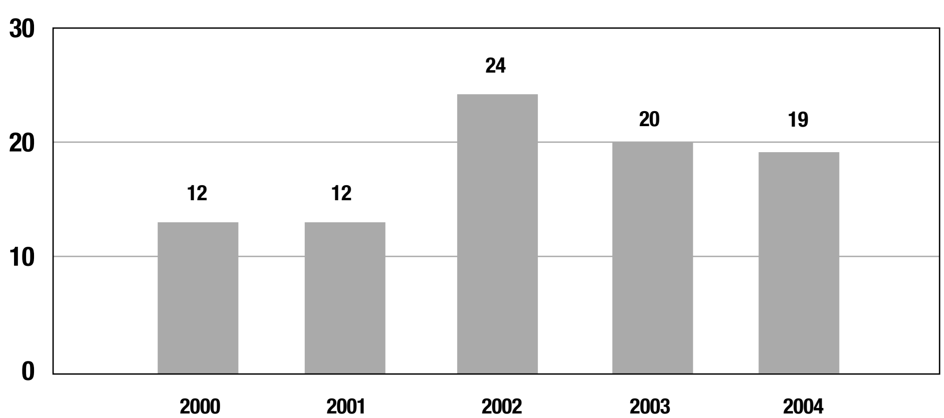
The most common types of formal enforcement actions issued by the OCC against banks over the past several years have been formal agreements and cease-and-desist orders. Formal agreements are documents signed by a national bank's board of directors and the OCC in which specific corrective and remedial 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 in 2004, the OCC assessed CMPs against six banks.

Figure 5—Formal agreements



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

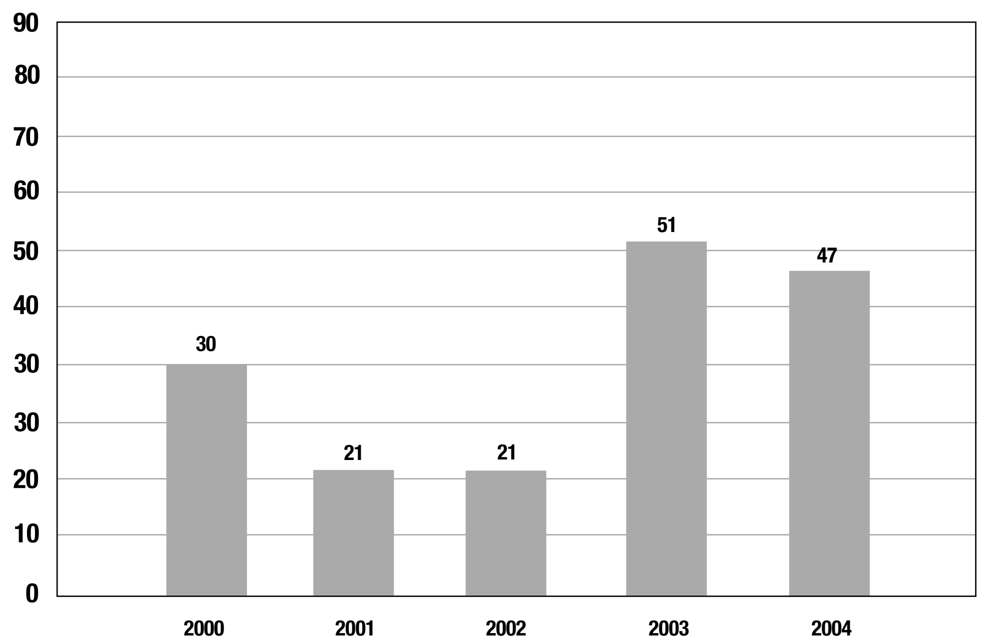
Figure 6—Cease-and-desist orders against banks



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

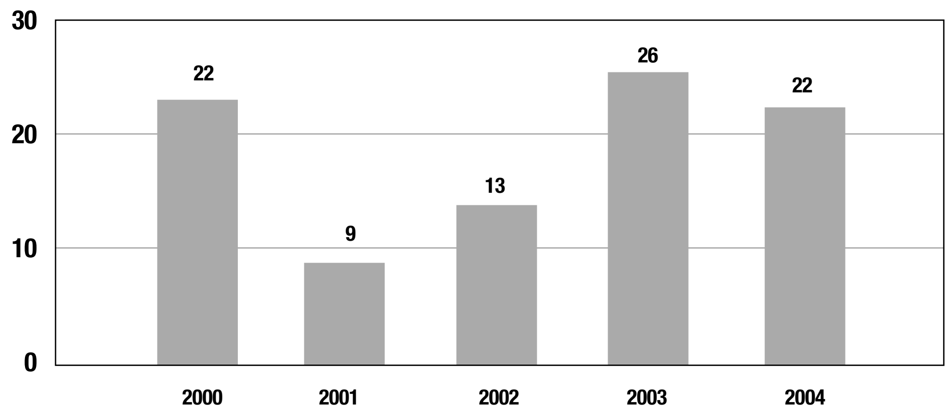
The most common enforcement actions against individuals and other institution-affiliated parties are CMPs, personal C&Ds, and removal and prohibition orders. CMPs are authorized for violations of laws, rules, regulations, formal written agreements, final orders, conditions imposed in writing, unsafe 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



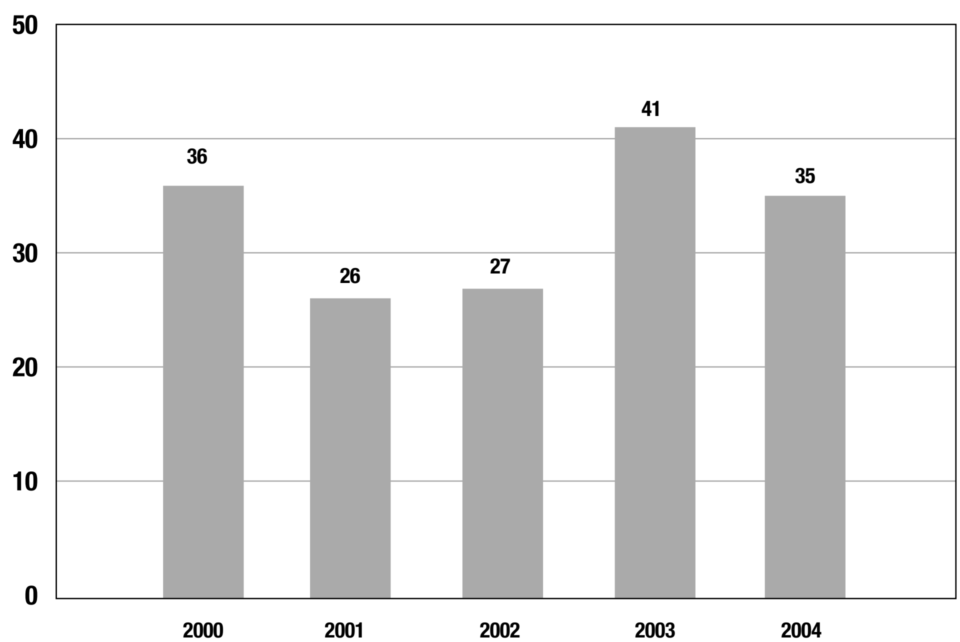
Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

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.

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 July 1 and December 31, 2004:

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

Banks ordered to comply with Bank Secrecy Act/Anti-Money-Laundering (BSA/AML) provisions. The OCC brought enforcement actions against banks for failing to maintain adequate BSA/AML compliance programs and ordered those banks to provide for internal controls, auditing, and employee training, and to designate a BSA compliance officer. *In the Matter of Fullerton National Bank, Fullerton, NE,* Enforcement Action No. 2004-121 (September 21, 2004); *Formal Agreement: First National Bank, Graford, TX,* Enforcement Action No. 2004-115 (October 1, 2004); *In the Matter of International Bank of Miami, N.A., Coral Gables, FL,* Enforcement Action No. 2004-119 (October 18, 2004); *In the Matter of The Upstate National Bank, Lisbon, NY,* Enforcement Action No. 2004-154 (November 4, 2004); *In the Matter of The First National Bank of Paonia, Paonia, CO,* Enforcement Action No. 2004-131 (November 18, 2004); *In the Matter of Metropolitan Bank & Trust Co (Federal branch), New York, NY,* Enforcement Action No. 2004-155 (December 15, 2004); *In the Matter of Asia Bank, N.A., New York, NY,* Enforcement Action No. 2004-153 (December 17, 2004); *In the Matter of Eagle National Bank of Miami, Doral, FL,* Enforcement Action No. 2004-138 (December 21, 2004).

B. Early Intervention for Problem Banks

Enforcement actions against bank officer and directors for suspicious loan transaction. The OCC continued to pursue enforcement actions against the president and directors of a national bank that had engaged in a questionable loan transaction with The Central Bank of the Gambia (CBG). Seven of the bank's directors consented to the OCC's assessments of civil money penalties for varying levels of alleged culpability for the loan transaction and other deficiencies in the bank's operations. The OCC also initiated a cease and desist action and assessed a $100,000 civil money penalty against the bank's former president, which actions are currently in litigation. *In the Matter of Arthur Mason, First Liberty National Bank, Washington, DC,* Enforcement Action No. 2004-104 (September 22, 2004); In the Matter of Madhu Mohan, Enforcement Action No. 2004-105 (September 22, 2004); *In the Matter of Patrick M. Donahue,* Enforcement Action No. 2004-99 (September 22, 2004); *In the Matter of John J. Mahoney,* Enforcement Action No. 2004-103 (September 22, 2004); *In the Matter of Shailendra Kumar,* Enforcement Action No. 2004-102 (September 22, 2004); *In the Matter of Kailash C. Goel,* Enforcement Action No. 2004-100 (September 22, 2004); *In the Matter of John M. Jacquemin,* Enforcement Action No. 2004-101 (September 22, 2004); *OCC* v. *Richard Dean,* OCC Docket No. AA-EC-04-25.

Bank ordered to close lending division, increase capital levels, and enhance BSA/AML procedures. A bank permitted one of its departments to engage in unsafe and unsound banking practices. In addition, the OCC found significant deficiencies in board of directors oversight and management of the day-to-day operations of that department, exposing the bank to substantial reputation, transaction, and litigation risk. The OCC issued a cease and desist order by consent that formalized the shut-down of the lending department. The order also required the bank to address deficiencies in the bank's compliance with BSA and USA PATRIOT Act; to increase capital levels, in view of increased risks; and to correct problems with the bank's books and records. *In the Matter of International Bank of Miami, N.A., Coral Gables, FL,* Enforcement Action No. 2004-119 (October 18, 2004).

C. Actions Involving Third-Party Institution-Affiliated Parties

Enforcement actions against a bank's outside legal counsel. As a result of its formal investigation into irregularities in the operations of a national bank, the OCC brought enforcement actions against the law firm that principally represented both the bank and the bank's service provider, and against the individual law firm partner who principally represented the bank. The law firm consented to the OCC's cease and desist order to pay $90,000 to reimburse the bank for certain legal fees alleged to have been improperly billed and paid, and to observe restrictions on the firm's representation of insured depository institutions. The law firm partner consented to the OCC's assessment of a $10,000 civil money penalty. *In the Matter of Wolf Haldenstein Adler Freeman & Herz, LLP, New York, NY (former counsel for Sinclair National Bank, Grayette, AR),* Enforcement Action No. 2004-140 (November 30, 2004); *In the Matter of Helen Davis Chaitman,* Enforcement Action No. 2004-98 (September 22, 2004).

Enforcement actions against officers of failed bank's independent service organization. A national bank failed as a result of excessive charge-backs in its merchant processing portfolio, due to fraud by several merchants. The bank had contracted with several independent service organizations (ISO) to conduct the underwriting function for merchants, including ISO Cashgate, Inc., which allegedly was responsible for underwriting virtually all of the merchants who had engaged in fraudulent activity. The OCC initiated enforcement actions against the president and the chairman/CEO of Cashgate, Inc. The two officers consented to the OCC's cease and desist orders prohibiting them from providing goods or services to any insured depository institutions, and each consented to the assessment of a $2,500 civil money penalty. *In the Matter of Bernard P. Kenneally, Cashgate, Inc. (former independent contractor of National State Bank of Metropolis, Metropolis, IL),* Enforcement Action No. 2004-19 (April 2, 2004); *In the Matter of Gregory P. Healey, Cashgate, Inc.,* Enforcement Action No. 2004-156 (October 19, 2004).

Enforcement action against a failed bank's external auditor. The OCC conducted a public hearing before an administrative law judge, commencing November 10, 2004, concerning an enforcement proceeding against Grant Thornton LLP, former external auditor for the failed First National Bank of Keystone, Keystone, WV. The OCC alleges that Grant Thornton should have but failed to discover that the bank had overstated its assets by more than $500 million. The OCC subsequently closed the bank. The OCC is seeking a cease and desist order that would require Grant Thornton to perform various enhanced auditing practices and procedures whenever it audits insured depository institutions. The agency also seeks the assessment of a $300,000 civil money penalty against Grant Thornton. The matter is under review by the administrative law judge. *OCC* v. *Grant Thornton, LLP* (OCC Docket Nos. AA-EC-04-02, AA-EC-04-03).

D. Actions Involving Institution-Affiliated Parties of Resolved Problem Banks

Enforcement actions against officers and directors for unsafe and unsound lending practices and breaches of fiduciary duty. A national bank with declining capital and increasing credit risks elected, under the terms of a consent order, to close the bank by selling its deposits and pursuing voluntary dissolution under 12 USC 181, which was completed with the merger of the bank into a nonbank subsidiary under 12 USC 215c. The bank's president subsequently consented to the OCC's prohibition order and assessment of a $100,000 civil money penalty, for allegedly engaging in a pattern of originating loans without conducting prudent underwriting procedures, receiving the proceeds of loans, diverting loan proceeds to past-due loans, and under-reporting levels of past-due loans in regulatory reports. The OCC also assessed civil money penalties against the bank's vice president ($40,000) and against two outside directors ($2,500 each). *In the Matter of Joseph E. Johnson, First National Bank of Sumner, Olney, IL,* Enforcement Action No. 2004-123 (October 21, 2004); *In the Matter of Lyle Puzey,* Enforcement Action No. 2004-84 (July 29, 2004); *In the Matter of Christina Puzey,* Enforcement Action No. 2004-83 (July 29, 2004); *In the Matter of A. Melinda Meyer,* Enforcement Action No. 2004-82 (July 29, 2004).

Enforcement actions against officers and directors for unsafe or unsound lending practices, uncorrected violations of law, and breaches of fiduciary duty. The OCC continued to pursue enforcement actions against the officers and directors of a national bank that had been sold to prevent the bank's failure. The bank, which had been operating under a formal agreement since 2001, allegedly failed to correct deficiencies in lending practices, asset quality, and internal controls, and allegedly failed to correct violations of law, including suspected violations of the legal lending limit. The bank's four outside directors consented to assessments of civil money penalties in amounts ranging from $18,000 down to $5,000. Three of those directors consented to cease and desist orders and the fourth consented to a prohibition order. Actions against the former president and one inside director are in litigation. *In the Matter of Kim Morris, First National Bank, Lubbock, TX,* Enforcement Action No. 2004-111 (September 3, 2004); *In the Matter of Darrell Hobgood,* Enforcement Action No. 2004-110 (September 28, 2004); *In the Matter of Brian Burns,* Enforcement Action No. 2004-125 (October 13, 2004); *In the Matter of Johnny Bob Carruth,* Enforcement Action No. 2004-109 (September 22, 2004).

Enforcement actions against a former bank president for insider abuses. A bank was merged into another bank to avoid bank failure. The OCC obtained consent orders against many of the former officers, directors, and employees of the bank who were allegedly responsible for the bank's failure to comply with a formal agreement with the OCC and for allegedly engaging in activities that caused the increased risks and deteriorating financial condition that led to the closing of the bank. The former president/COB/majority shareholder had also allegedly engaged in insider abuse for his personal benefit, including the issuance of money orders for his own benefit without contemporaneous payment, overdraft abuse, and illegal extensions of credit. He also allegedly caused the bank to pay personal expenses for himself and his family. The former president consented to the OCC's order of prohibition and the assessment of a $100,000 civil money penalty. *In the Matter of Nelson D. Hogg, First National Bank of O'Donnell, O'Donnell, TX,* Enforcement Actions Nos. 2003-72 (June 25, 2003) and 2004-90 (September 2, 2004).

E. Actions to Combat Bank Insider Abuse

Enforcement actions against loan officers for insider abuses. Two loan officers, one of whom is suspected to have engaged in misconduct at two successive banks, allegedly received payments and other benefit for making several million dollars' worth of loans to non-creditworthy borrowers for the benefit of a third party and to the detriment of the banks issuing the loans. One of the loan officers consented to the OCC's prohibition order and assessment of a $130,000 civil money penalty. Action against the second loan officer is proceeding, and the investigation into misconduct continues. *In the Matter of David A. Ranostaj, Whitney National Bank, New Orleans, LA,* Enforcement Action No. 2004-152 (December. 23, 2004).

Enforcement action against loan officer for improper lending practices. A loan officer allegedly made loans to a business partner, who was known to be experiencing financial difficulties, in violation of the bank's loan policy and in contravention of explicit instructions not to make further loans to the borrower. As a result of the loan officer's actions, the bank suffered a loss in excess of $30,000. The loan officer allegedly received some of the proceeds of the new loans. The loan officer consented to the OCC's order for prohibition and for restitution payments of $38,000 to the bank, and the assessment of a $25,000 civil money penalty. *In the Matter of Brian Stull, Integra Bank, N.A., Evansville, IN,* Enforcement Action No. 2004-66 (June 7, 2004).

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 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 22 consent prohibition orders against institution-affiliated parties during 2004. Eight of these orders incorporated restitution to the appropriate bank for losses incurred, and two of the orders incorporated civil money penalties. During the same period, the OCC sent out notifications to 231 former bank employees who were convicted of crimes of dishonesty, informing them that under federal law they are prohibited from working again in a federally insured depository institution.

Appeals Process

Appeals Process

Appeal 1—Appeal of a Shared National Credit

Background

A bank appealed to the ombudsman a decision rendered by the Shared National Credit (SNC) Interagency Appeals Panel in July 2004. Initially, the SNC review team rated as substandard and nonaccrual two priority lien credit facilities secured by an assignment in an equity interest in the assets of two bankrupt commercial projects. Additionally, there was a guaranty from the parent company for an equity commitment to complete construction of the projects. The bank appealed the nonaccrual designation on both facilities to the SNC appeals panel. The SNC appeals panel determined that the bankrupt projects, including the priority lien credit facilities should be classified as "other assets," and the remaining unsecured portions of debt classified as loss.

The bank agreed with the classification of the affected credits as "other assets," however, it disagreed with the loss classification, and submitted an appeal to the ombudsman. According to the appeal, the bankruptcy documents supported that there were assets available to provide some relief to the unsecured creditors. The bank further cited inconsistent treatment among the SNC review teams in the classification of these credit facilities at other banks. Specifically, there were two other agent banks designated as unsecured creditors by the bankruptcy court, yet the SNC review teams at those banks gave value to varying degrees the underlying assets supporting the bankruptcy claims.

Management's view was that since the unsecured facilities would be treated equally in bankruptcy, they should be treated similarly in the SNC evaluation process. The fair value of the underlying assets should include value given to the bankruptcy claim on the underlying assets.

Discussion

In December 2002, the lender groups assumed effective control of the two projects by replacing management, obtaining the rights to sell the projects, and actively marketing the plants for sale. (The guarantor for equity to finish these projects had previously experienced severe financial difficulties, abandoned support of the projects, and filed for bankruptcy protection.) Consequently, both the primary and secondary repayment sources were in jeopardy.

The appeal states that the bankruptcy court has recognized the obligations of the guarantor, and they are subject to claim by the unsecured creditors. The appeal also states that there is a secondary market for these bankruptcy claims that precludes a full loss classification.

The ombudsman reviewed the information submitted by the bank and held discussions with the bank's senior management team, the SNC review team, the SNC appeals panel and OCC accountants. While sufficient information was provided for the ombudsman to render a decision as to the fair value to be assigned to the underlying assets of the bankrupt guarantor, doing so would not resolve the issue of inconsistent treatment among the banks holding similar bankruptcy claims. Therefore, the ombudsman determined that the best course of action was to convene a new SNC review team consisting of a representative from each of the primary federal agencies to make a classification decision applicable to the banking groups.

Conclusion

The new SNC interagency review team was convened in November 2004. In the time period between the initial SNC review and the review by the new SNC interagency review team, the guarantor emerged from bankruptcy and the lending group signed contracts for the disposition of assets. Consequently, the credits were reviewed in November 2004, based on this later information rather than the bankruptcy status at the time of the initial review, which would be the traditional approach employed in the appellate arena.

The SNC interagency review team concluded that credit factors were substantively unchanged from when the guarantor originally filed for bankruptcy, and insufficient to maintain carrying the exposed portions of the facilities dependent on its guaranty in the active loan portfolio.

Critical to this evaluation is the determination of whether the obligation under this guaranty was, and should remain, a "bankable asset" (as referred to in the interagency definition of loss[1]). This does not mean the obligation has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off a basically worthless asset even though partial recovery may result in the future. In this assessment, credit factors should be present that provide assurances that the obligation is reasonably well secured and if not, at least in process for full collection with imminent closure expected. These are necessarily high standards because the obligor is in default and under the control of the bankruptcy court. The claim is unsecured, and the lenders were not entitled to adequate protection payments or any other regular distribution from the bankruptcy estate that might be considered interest income. The total unsecured claims against the bankruptcy estate, of which the bank group was a part of, substantially exceed estimated recoverable amounts from a potential sale of the operating assets of the guarantor. These factors do not

[1] Interagency definition of loss: "Assets classified loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future."

provide adequate support for the bank group's portion of these claims to remain indefinitely in the active portfolio, even when charged down to estimated recoverable amounts. The foreseeable events, since the guarantor filed for bankruptcy, held considerable uncertainties for those estimated recoverable amounts, and their unfolding in recent months does not obscure the fact that collection efforts were best characterized as recovery.

Thus, the classifications of the assignment of the equity interest in the commercial properties as "other assets" were upheld. Any remaining balance was deemed a recovery matter and directed to be charged off. However, since collection efforts were already in process, the banks were allowed to charge-off the losses consistent with the closing of the sales contracts scheduled for the upcoming quarter following this review. This decision was confirmed by the ombudsman and applied unilaterally to all banking groups.

Appeal 2—Appeal of Partial Assessment Fee

Background

A bank appealed to the ombudsman for a partial refund of its semi-annual assessment fee. The bank originally appealed to its supervisory office and was denied.

Discussion

The bank converted to a federal savings bank three months after paying its semi-annual assessment fee. According to the appeal, since the bank was no longer under the supervision of the OCC, it was entitled to a refund of the remaining assessment. The appeal included documentation to support the amount of payment made by the bank to the OCC for the six-month period.

Conclusion

The ombudsman reviewed the documentation submitted by the bank and OCC policies and procedures regarding payment of semi-annual assessment fees. According to paragraph (5) under section (a) of 12 CFR 8 Assessment of Fees, "Each bank subject to the jurisdiction of the Comptroller of the Currency on the date of the second or fourth quarterly Call Report required by the Office under 12 USC 161 is subject to the full assessment for the next six-month period." The OCC assessment is levied against all institutions that are in the national banking system as of December 31 and June 30. Therefore any bank that is a national bank on the assessment date is required to pay the full semi-annual assessment. Additionally, the Notice of Fees issued to all national banks on December 1, 2000, provided notification that the OCC planned to discontinue prorated refunds for institutions that leave the national banking system part way through an assessment period. This policy became effective as of January 1, 2001. Since the bank was a national bank on the date that the assessment was levied, the ombudsman opined that no partial refund was warranted.

Speeches and Congressional Testimony

Speeches and Congressional Testimony—October 1 to December 31, 2004

Speeches and Congressional Testimony

[News Releases at www.occ.treas.gov/04rellst.htm]

October 4, Comptroller Hawke Addresses ABA Convention
[www.occ.treas.gov/ftp/release/2004-91a.pdf]

December 3, Acting Comptroller Williams Addresses BAI Roundtable
[www.occ.treas.gov/ftp/release/2004-107a.pdf]

Interpretations

Interpretations—October 1 to December 31, 2004

Interpretations

October [www.occ.treas.gov/interp/oct04/intoct04.htm]
1008, July 19, 2004 [www.occ.treas.gov/interp/oct04/int1008.pdf]
1009, August 12, 2004 [www.occ.treas.gov/interp/oct04/int1009.pdf]
1010, September 7, 2004 [www.occ.treas.gov/interp/oct04/int1010.pdf]

November [www.occ.treas.gov/interp/nov04/intnov04.htm]
1011, October 4, 2004 [www.occ.treas.gov/interp/nov04/int1011.pdf]

December [www.occ.treas.gov/interp/dec04/intdec04.htm]
1012, November 19, 2004 [www.occ.treas.gov/interp/dec04/int1012.pdf]

Mergers

Mergers—October 1 to December 31, 2004

Mergers—October 1 to December 31, 2004

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

Nonaffiliated mergers (mergers consummated involving two or more nonaffiliated operating banks), from October 1 to December 31, 2004

Title and location (charter number)	Total assets
California	
Union Bank of California, National Association, San Francisco (021541)	45,464,459,000
and CNA Trust Corporation, Costa Mesa, California	216,758,000
merged on August 1, 2004, under the title of **Union Bank of California, National Association, San Francisco** (021541)	45,681,217,000
Connecticut	
Webster Bank, National Association, Waterbury (024469)	16,980,972,000
and First City Bank, New Britain, Connecticut	191,795,000
merged on December 3, 2004, under the title of **Webster Bank, National Association, Waterbury** (024469)	17,172,767,000
Florida	
First National Bank of Florida, Naples (021830)	3,970,651,000
and Southern Community Bank of South Florida, Boca Raton, Florida	163,052,000
and Southern Community Bank of Southwest Florida, Bonita Springs, Florida	180,012,000
and Southern Community Bank of Central Florida, Orlando, Florida	687,579,000
merged on September 3, 2004, under the title of **First National Bank of Florida, Naples** (021830)	5,158,358,000
First National Bank of Florida, Naples (021830)	5,098,087,000
and First Bradenton Bank, Bradenton, Florida	63,935,000
merged on November 30, 2004, under the title of **First National Bank of Florida, Naples** (021830)	5,396,487,000
Illinois	
The National Bank & Trust Company of Sycamore, Sycamore (013872)	401,213,000
and LNB National Bank, Leland, Illinois (014518)	80,862,000
merged on June 29, 2004, under the title of **The National Bank & Trust Company of Sycamore, Sycamore** (013872)	474,823,000
Illinois National Bank, Springfield (011443)	298,491,000
and Riverton Community Bank, Riverton, Illinois	34,292,000
merged on October 29, 2004, under the title of **Illinois National Bank, Springfield** (011443)	332,783,000
The Peoples National Bank of McLeansboro, McLeansboro (009408)	426,500,000
and Bank of Kimberling City, Kimberling City, Missouri	128,200,000
merged on July 15, 2004, under the title of **The Peoples National Bank of McLeansboro, McLeansboro** (009408)	554,700,000
Kansas	
American State Bank & Trust Company, National Association, Great Bend (024183)	105,897,000
and The First National Bank and Trust, St. John, Kansas (003467)	50,125,000
merged on July 16, 2004, under the title of **American State Bank & Trust Company, National Association, Great Bend** (024183)	156,022,000
Sunflower Bank, National Association, Salina (004742)	985,200,000
and The Citizens State Bank, Liberal, Kansas, Liberal, Kansas	61,800,000
merged on July 8, 2004, under the title of **Sunflower Bank, National Association, Salina** (004742)	1,047,000,000

Nonaffiliated mergers (mergers consummated involving two or more nonaffiliated operating banks), from October 1 to December 31, 2004 (continued)

Title and location (charter number)	Total assets
Nebraska	
Security National Bank of Omaha, Omaha (015379)	420,961,000
and Kirkpatrick Pettis Trust Company, Omaha, Nebraska	1,445,000
merged on June 30, 2004, under the title of **Security National Bank of Omaha, Omaha** (015379)	420,961,000
New Jersey	
Sun National Bank, Vineland (018606)	2,591,176,000
and The Community Bank of New Jersey, Freehold Township, New Jersey	427,825,000
merged on July 8, 2004, under the title of **Sun National Bank, Vineland** (018606)	3,077,422,000
Pennsylvania	
Omega Bank, National Association, Huntingdon (000031)	1,131,870,000
and Sunbank, Lewisburg, Pennsylvania	1,037,218,000
merged on October 1, 2004, under the title of **Omega Bank, National Association, Huntingdon** (000031)	2,312,085,000
First National Bank of Pennsylvania, Greenville (000249)	4,482,413,000
and The First National Bank of Slippery Rock, Slippery Rock, Pennsylvania (006483)	334,077,000
merged on October 8, 2004, under the title of **First National Bank of Pennsylvania, Greenville** (000249)	5,016,497,000
Wyoming	
The Rawlins National Bank, Rawlins (005413)	117,000,000
and Community Banks of Southern Colorado, Rocky Ford, Colorado	0
merged on September 30, 2004, under the title of **The Rawlins National Bank, Rawlins** (005413)	117,000,000
First National Bank of Wyoming, Laramie (015409)	146,012,000
and Community Banks of the Rockies, La Jara, Colorado	0
merged on September 30, 2004, under the title of **First National Bank of Wyoming, Laramie** (015409)	164,000,000

Nonaffiliated mergers—thrift (mergers consummated involving nonaffiliated national banks and savings and loan associations) from October 1 to December 31, 2004

Title and location (charter number)	Total assets
California	
Union Bank of California, National Association, San Francisco (021541)	45,464,459,000
and Jackson Federal Bank, Fullerton, California	1,926,421,000
merged on October 28, 2004, under the title of **Union Bank of California, National Association, San Francisco** (021541)	47,309,186,000
South Carolina	
First Community Bank, National Association, Lexington (022808)	217,516,000
and Newberry Federal Savings Bank, Newberry, South Carolina	207,078,000
merged on October 1, 2004, under the title of **First Community Bank, National Association, Lexington** (022808)	447,328,000
Texas	
Texas Capital Bank, National Association, Dallas (023248)	1,951,064,000
and Bluebonnet Savings Bank, FSB, Dallas,	185,950,000
merged on August 8, 2003, under the title of **Texas Capital Bank, National Association, Dallas** (023248)	2,031,099,000

Affiliated mergers (mergers consummated involving affiliated operating banks) from July 1 to December 31, 2004

Title and location (charter number)	Total assets
California	
The Bank of New York Trust Company, National Association, Los Angeles (024526)	361,965,000
and BNY Missouri Interim Trust Company, National Association, St Louis, Missouri (024529)	12,740,000
and BNY Florida Interim Trust Company, National Association, Miami, Florida (024531)	102,549,000
merged on November 1, 2004, under the title of **The Bank of New York Trust Company, National Association, Los Angeles** (024526)	477,254,000
Delaware	
Wachovia Trust Company, National Association, Wilmington (023201)	299,826,000
and Delaware Trust Capital Management, Inc., Wilmington, Delaware	5,974,000
merged on September 1, 2004, under the title of **Wachovia Trust Company, National Association, Wilmington** (023201)	305,800,000
Chase Manhattan Bank USA, National Association, Newark (023160)	38,461,128,000
and Bank One, Delaware, National Association, Wilmington, Delaware (017762)	19,552,305,000
merged on October 1, 2004, under the title of **Chase Manhattan Bank USA, National Association, Newark** (023160)	67,816,217,000
HSBC Bank USA, National Association, New Castle (024522)	12,000
and HSBC Bank USA, Buffalo, New York	92,958,000,000
merged on July 1, 2004, under the title of **HSBC Bank USA, National Association, New Castle** (024522)	92,970,000,000
Georgia	
Peachtree National Bank, Peachtree City (020668)	280,467,000
and pointpathbank, National Association, Columbus, Georgia (023964)	5,987,000
merged on November 30, 2004, under the title of **Peachtree National Bank, Peachtree City** (020668)	280,931,000
Illinois	
MB Financial Bank, National Association, Chicago (013684)	4,041,867,000
and FSFSB, National Association, Chicago, Illinois (024518)	485,901,000
merged on July 22, 2004, under the title of **MB Financial Bank, National Association, Chicago** (013684)	5,220,245,000
National City Bank of the Midwest, Bannockburn (000191)	20,336,000,000
and Allegiant Bank, Saint Louis, Missouri	2,698,000,000
merged on July 30, 2004, under the title of **National City Bank of the Midwest, Bannockburn** (000191)	23,034,000,000
Kansas	
The Southwest National Bank of Wichita, Wichita (012346)	142,008,000
and Twin Lakes National Bank, Wichita, Kansas (022766)	141,581,000
merged on September 17, 2004, under the title of **Southwest National Bank, Wichita** (012346)	283,589,000
Louisiana	
Whitney National Bank, New Orleans (014977)	7,846,185,000
and Madison Bank, Palm Harbor, Florida	215,155,000
merged on August 20, 2004, under the title of **Whitney National Bank, New Orleans** (014977)	8,110,341,000
Minnesota	
First National Bank of the North, Sandstone (016871)	60,303,000
and First National Bank of Hinckley, Hinckley, Minnesota (024407)	5,928,000
merged on July 23, 2004, under the title of **First National Bank of the North, Sandstone** (016871)	66,231,000
Missouri	
First National Bank of Missouri, Lee's Summit (020573)	167,282,000
and Bank of Jacomo, Blue Springs, Missouri	254,965,000
merged on July 16, 2004, under the title of **First National Bank of Missouri, Lee's Summit** (020573)	422,247,000
UMB Bank, National Association, Kansas City (023920)	6,867,017,000
and UMB U.S.A., National Association, Falls City, Nebraska (022974)	120,595,000
merged on August 1, 2004, under the title of **UMB Bank, National Association, Kansas City** (023920)	6,892,774,000

Affiliated mergers (mergers consummated involving affiliated operating banks) from July 1 to December 31, 2004 (continued)

Title and location (charter number)	Total assets
Commerce Bank, National Association, Kansas City (018112)	12,300,000,000
and Commerce Bank, National Association, Peoria, Illinois (000176)	977,000,000
merged on August 1, 2004, under the title of **Commerce Bank, National Association, Kansas City** (018112)	13,082,000,000
UMB Bank, National Association, Kansas City (023920)	5,862,229,000
and UMB Bank Omaha, National Association, Omaha, Nebraska (023188)	88,387,000
merged on December 4, 2004, under the title of **UMB Bank, National Association, Kansas City** (023920)	5,891,894,000
North Carolina	
Wachovia Bank, National Association, Charlotte (000001)	369,186,000,000
and First Union Direct Bank, National Association, Augusta, Georgia (023342)	6,118,000,000
merged on December 1, 2004, under the title of **Wachovia Bank, National Association, Charlotte** (000001)	368,871,000,000
North Dakota	
Bremer Bank, National Association, Moorhead (023204)	485,498,000
and Bremer Bank, National Association, Minot, North Dakota (023297)	379,591,000
merged on August 23, 2004, under the title of **Bremer Bank, National Association, Fargo** (023204)	865,089,000
Ohio	
Keybank National Association, Cleveland (014761)	73,926,760,000
and Key Bank USA, National Association, Cleveland, Ohio (022908)	9,825,645,000
merged on October 1, 2004, under the title of **Keybank National Association, Cleveland** (014761)	79,451,370,000
Keybank National Association, Cleveland (014761)	74,847,093,000
and Evertrust Bank, Everett, Washington	761,101,000
merged on November 12, 2004, under the title of **Keybank National Association, Cleveland** (014761)	75,592,077,000
National City Bank, Cleveland (000786)	45,564,168,000
and The Wayne County National Bank of Wooster, Wooster, Ohio (000828)	427,368,000
and Savings Bank & Trust, Wadsworth, Ohio	373,860,000
merged on December 10, 2004, under the title of **National City Bank, Cleveland** (000786)	47,666,649,000
JPMorgan Chase Bank, National Association, New York (024542)	648,692,000,000
and Bank One, National Association, Chicago, Illinois (000008)	256,701,000,000
and Bank One, National Association, Columbus, Ohio (007621)	66,124,000,000
merged on November 13, 2004, under the title of **JPMorgan Chase Bank, National Association, Columbus** (000008)	999,367,000,000
Oklahoma	
Landmark Bank, National Association, Ada (023055)	321,762,000
and Landmark Bank, National Association, Denison, Texas (023528)	67,171,000
merged on August 27, 2004, under the title of **Landmark Bank, National Association, Ada** (023055)	388,933,000
Tennessee	
Union Planters Bank, National Association, Memphis (013349)	31,944,819,000
and Union Planters Bank of the Lakeway Area, Morristown, Tennessee	135,334,000
merged on December 11, 2004, under the title of **Union Planters Bank, National Association, Memphis** (013349)	35,447,238,000
Texas	
Summit Bank, National Association, Fort Worth (016422)	795,468,000
and Arlington National Bank, Arlington, Texas (020880)	90,074,000
merged on May 1, 2004, under the title of **Summit Bank, National Association, Fort Worth** (016422)	885,542,000
State National Bank, Lubbock (023117)	1,154,909,000
and Mercantile Bank Texas, Fort Worth, Texas	207,850,000
merged on August 13, 2004, under the title of **State National Bank, Lubbock** (023117)	1,386,055,000

Affiliated mergers (mergers consummated involving affiliated operating banks) from July 1 to December 31, 2004 (continued)

Title and location (charter number)	Total assets
The First National Bank of Claude, Claude (007123)	28,413,000
and Citizens Bank, Tucumcari, New Mexico	53,687,000
merged on August 25, 2004, under the title of **The First National Bank of Claude, Claude** (007123)	82,167,000
Broadway National Bank, San Antonio (014447)	1,349,996,000
and Eisenhower National Bank, Fort Sam Houston, Texas (016144)	177,000,000
merged on August 12, 2004, under the title of **Broadway National Bank, San Antonio** (014447)	1,516,535,000
Austin Bank, Texas National Association, Jacksonville (005581)	623,113,000
and First National Bank, Bullard, Texas (017710)	43,487,000
merged on November 5, 2004, under the title of **Austin Bank, Texas National Association, Jacksonville** (005581)	659,870,000
Liberty National Bank, Granbury (023147)	60,522,000
and Stephenville Bank and Trust Co., Stephenville, Texas	145,111,000
merged on November 1, 2004, under the title of **First Financial Bank, National Association, Granbury** (023147)	211,952,000
Bank of Texas, National Association, Dallas (024082)	2,632,536,000
and Bank of Texas Trust Company, National Association, Dallas, Texas (022701)	8,784,000
merged on October 31, 2004, under the title of **Bank of Texas, National Association, Dallas** (024082)	2,641,320,000
Utah	
American Investment Bank, National Association, Salt Lake City (018174)	213,672,000
and American Investment Financial, Midvale, Utah	85,944,000
merged on April 1, 2004, under the title of **American Investment Bank, National Association, Salt Lake City** (018174)	299,433,000

Affiliated mergers—thrift (mergers consummated involving affiliated national banks and savings and loan associations), from October 1 to December 31, 2004

Title and location (charter number)	Total assets
North Carolina	
First National Bank and Trust Company, Asheboro (008953)	651,411,000
and Rowan Savings Bank, SSB, Inc., China Grove, North Carolina	162,176,000
merged on November 30, 2004, under the title of **First National Bank and Trust Company, Asheboro** (008953)	813,452,000

Quarterly Journal

Corporate Structure of the National Banking System

Corporate Structure of the National Banking System

Contents

Changes in the corporate structure of the national banking system, by state, July 1 to December 31, 2004

						12 USC 214		
	In operation July 1, 2004	Organized and open for business	Merged	Voluntary liquidations	Payouts	Converted to non-national institutions	Merged with non-national institutions	In operation December 31, 2004
Alabama	22	1	0	0	0	0	0	23
Alaska	4	0	0	0	0	0	0	4
Arizona	14	0	0	1	0	0	0	14
Arkansas	43	1	0	0	0	0	0	44
California	81	1	1	0	0	0	1	80
Colorado	48	0	0	0	0	0	1	47
Connecticut	12	0	0	0	0	0	1	11
Delaware	15	2	2	0	0	0	0	15
District of Columbia	6	0	0	0	0	0	1	5
Florida	74	0	1	0	0	0	2	71
Georgia	59	2	2	1	0	0	3	55
Hawaii	1	0	0	0	0	0	0	1
Idaho	2	0	0	0	0	0	0	2
Illinois	166	1	3	0	0	0	3	160
Indiana	37	0	0	0	0	1	0	36
Iowa	49	0	0	0	0	0	1	48
Kansas	97	0	2	0	0	0	1	94
Kentucky	45	0	0	0	0	0	2	43
Louisiana	15	0	0	0	0	0	0	15
Maine	7	0	0	0	0	0	0	6
Maryland	11	0	0	0	0	0	1	10
Massachusetts	20	0	0	0	0	0	0	20
Michigan	27	0	0	0	0	1	2	24
Minnesota	120	0	1	0	0	2	1	115
Mississippi	19	0	0	0	0	0	0	19
Missouri	47	0	0	0	0	0	0	47
Montana	14	0	0	0	0	0	0	14
Nebraska	70	0	2	0	0	0	1	67
Nevada	7	0	0	0	0	0	0	7
New Hampshire	5	0	0	1	0	1	0	4
New Jersey	23	0	0	0	0	0	0	23
New Mexico	14	0	0	0	0	0	0	14
New York	57	2	1	0	0	0	0	58
North Carolina	6	0	0	0	0	1	0	5
North Dakota	13	0	1	0	0	0	1	12
Ohio	88	0	3	0	0	1	3	82
Oklahoma	86	1	0	0	0	3	0	84
Oregon	4	0	0	0	0	0	0	4
Pennsylvania	80	0	1	0	0	1	0	78
Rhode Island	5	0	0	0	0	0	0	5
South Carolina	25	0	0	0	0	0	0	25
South Dakota	19	1	0	1	0	0	0	19
Tennessee	28	0	0	0	0	0	0	28
Texas	320	5	5	0	0	1	0	318
Utah	7	0	0	0	0	0	0	7
Vermont	8	0	0	0	0	0	0	8
Virginia	39	0	0	0	0	1	0	38
Washington	13	0	0	0	0	0	0	13
West Virginia	18	0	0	0	0	0	0	18

Changes in the corporate structure of the national banking system, by state, July 1 to December 31, 2004 (continued)

						12 USC 214		
	In operation July 1, 2004	Organized and open for business	Merged	Voluntary liquidations	Payouts	Converted to non-national institutions	Merged with non-national institutions	In operation December 31, 2004
Wisconsin	45	0	0	0	0	1	1	43
Wyoming	15	0	0	0	0	0	0	15
Totals:	2,050	17	25	4	0	14	26	1,998

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.

Applications for new, full-service national bank charters, approved and denied, by state, July 1 to December 31, 2004

Title and location	Approved	Denied
Arizona		
Western National Bank, Phoenix	November 3, 2004	
Commercial/Consumer (Full Srvc Bnk)		
California		
First Heritage Bank, National Association, Newport Beach	December 15, 2004	
Commercial/Consumer (Full Srvc Bnk)		
Pacific Coast National Bank, San Clemente	October 25, 2004	
Commercial/Consumer (Full Srvc Bnk)		
Illinois		
Harris Bank West, National Association, Roselle	August 17, 2004	
Commercial/Consumer (Full Srvc Bnk)		
Minnesota		
The National Bank, Edina	September 17, 2004	
Commercial/Consumer (Full Srvc Bnk)		
New York		
Citizens Bank, National Association, Albany	December 13, 2004	
Commercial/Consumer (Full Srvc Bnk)		
Community National Bank, Great Neck Estates Village	September 13, 2004	
Commercial/Consumer (Full Srvc Bnk)		
Ohio		
Lake National Bank, Mentor	October 4, 2004	
Commercial/Consumer (Full Srvc Bnk)		
Oklahoma		
Valliance Bank, National Association, Oklahoma City	August 31, 2004	
Commercial/Consumer (Full Srvc Bnk)		
Tennessee		
Paragon National Bank, Memphis	September 29, 2004	
Commercial/Consumer (Full Srvc Bnk)		

Applications for new, limited-purpose national bank charters, approved and denied, by state, July 1 to December 31, 2004

Title and location	Type of bank	Approved	Denied
California			
ReconTrust Company, National Association, Thousand Oaks	Trust (Non-Deposit)	December 7, 2004	
Western Development Bank, National Association, Fresno	Community Reinvestment Bank	July 26, 2004	
Connecticut			
RBS National Bank, Bridgeport	Credit Card	September 15, 2004	
Delaware			
Bessemer Trust Company of Delaware, National Association, Wilmington	Trust (Non-Deposit)	September 27, 2004	
Florida			
BNY Florida Interim Trust Company, National Association, Miami	Trust (Non-Deposit)	September 13, 2004	
Missouri			
BNY Missouri Interim Trust Company, National Association, St Louis	Trust (Non-Deposit)	September 13, 2004	

New, full-service national bank charters issued, July 1 to December 31, 2004

Title and location	Charter number	Date opened
Delaware		
HSBC Bank USA, National Association, New Castle Commercial/Consumer (Full Srvc Bnk)	024522	July 1, 2004
Georgia		
Flint River National Bank, Camilla Commercial/Consumer (Full Srvc Bnk)	024505	September 8, 2004
Peoples Community National Bank, Bremen Commercial/Consumer (Full Srvc Bnk)	024456	October 4, 2004
New York		
Empire State Bank, National Association, Newburgh Commercial/Consumer (Full Srvc Bnk)	024445	June 28, 2004
Oklahoma		
Valliance Bank, National Association, Oklahoma City Commercial/Consumer (Full Srvc Bnk)	024532	October 20, 2004
Texas		
North Texas Bank, National Association, Decatur Commercial/Consumer (Full Srvc Bnk)	024519	October 5, 2004
Sovereign Bank, National Association, Irving Commercial/Consumer (Full Srvc Bnk)	024503	July 29, 2004
Post Oak Bank, National Association, Houston Commercial/Consumer (Full Srvc Bnk)	024491	July 30, 2004
T Bank, National Association, Dallas Commercial/Consumer (Full Srvc Bnk)	024467	November 2, 2004
Brazos Valley Bank, National Association, College Station Commercial/Consumer (Full Srvc Bnk)	024457	July 26, 2004

New, limited-purpose national bank charters issued, July 1 to December 31, 2004

Title and location	Charter number	Date opened
Delaware		
Bessemer Trust Company of Delaware, National Association, Wilmington Trust (Non-Deposit)	024547	December 22, 2004
Florida		
BNY Florida Interim Trust Company, National Association, Miami Trust (Non-Deposit)	024531	
Missouri		
BNY Missouri Interim Trust Company, National Association, St Louis Trust (Non-Deposit)	024529	

State-chartered banks converted to full-service national banks, July 1 to December 31, 2004

Title and location (charter number)	Effective date	Total assets
Alabama		
First Bank of Dothan, National Association (024515)	September 1, 2004	29,667,000
conversion of First Bank of Dothan, Inc., Dothan		
Arkansas		
First National Bank (024553)	October 1, 2004	92,744,000
conversion of Bank of Waldron, Waldron		
New York		
JPMorgan Chase Bank, National Association (024542)	November 13, 2004	648,692,000,000
conversion of JPMorgan Chase Bank, New York		
South Dakota		
First American Bank & Trust, National Association (024533)	October 4, 2004	145,000,000
conversion of First American Bank & Trust, Sioux Falls		

State-chartered banks converted to limited-purpose national banks, July 1 to December 31, 2004

Title and location (charter number)	Effective date	Total assets
California		
The Bank of New York Trust Company, National Association (024526) conversion of BNY Western Trust Company, Los Angeles	November 1, 2004	339,124,000

Nonbanking institutions converted to full-service national banks, July 1 to December 31, 2004

Title and location (charter number)	Effective date	Total assets
Illinois		
FSFSB, National Association,(024518)	July 22, 2004	485,901,000
conversion of First Security Federal Savings Bank, Chicago		

Applications for national bank charters, by state and charter type, July 1 to December 31, 2004

	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	1	0	0	0
Alaska	0	0	0	0	0	0	0	0	0
Arizona	1	1	0	0	0	0	0	0	0
Arkansas	1	0	0	0	0	1	0	0	0
California	3	3	1	0	0	0	1	0	0
Colorado	0	0	0	0	0	0	0	0	0
Connecticut	0	1	0	0	0	0	0	0	0
Delaware	1	1	0	1	1	0	0	0	0
District of Columbia	0	0	0	0	0	0	0	0	0
Florida	0	1	0	0	1	0	0	0	0
Georgia	0	0	0	2	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	0	0	0	0	1	0
Indiana	0	0	0	0	0	0	0	0	0
Iowa	0	0	0	0	0	0	0	0	0
Kansas	0	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	0	0	0	0	0	0	0	0	0
Massachusetts	0	0	0	0	0	0	0	0	0
Michigan	0	0	0	0	0	0	0	0	0
Minnesota	1	1	0	0	0	0	0	0	0
Mississippi	0	0	0	0	0	0	0	0	0
Missouri	0	1	0	0	1	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	0	0	0	0
New Mexico	0	0	0	0	0	0	0	0	0
New York	1	2	0	1	0	1	0	0	0
North Carolina	0	0	0	0	0	0	0	0	0
North Dakota	0	0	0	0	0	0	0	0	0
Ohio	0	1	0	0	0	0	0	0	0
Oklahoma	0	1	0	1	0	0	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	0	0	0	0	0	0
South Dakota	0	0	0	0	0	1	0	0	0
Tennessee	0	1	0	0	0	0	0	0	0
Texas	0	0	0	5	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
Virginia	3	0	0	0	0	0	0	0	0
Washington	0	0	0	0	0	0	0	0	0

Applications for national bank charters, by state and charter type, July 1 to December 31, 2004 (continued)

				Charters issued					
	Received	Approved	Denied	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
West Virginia	0	0	0	0	0	0	0	0	0
Wisconsin	0	0	0	0	0	0	0	0	0
Wyoming	0	0	0	0	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	13	15	1	10	3	4	1	1	0

Note: 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.

Voluntary liquidations of national banks, July 1 to December 31, 2004

Title and location (charter number)	Effective date	Total assets
Arizona		
Dillard National Bank, Gilbert (018777)	November 1, 2004	24,061,000
Georgia		
First North American National Bank, Kennesaw (022196)	July 31, 2004	83,979,000
New Hampshire		
Harris Bank (NH), National Association, Nashua (023239)	August 2, 2004	0
South Dakota		
Axsys National Bank, Sioux Falls (023083)	December 24, 2004	0

National banks merged out of the national bank system, July 1 to December 31, 2004

Title and location	Charter number	Effective date
California		
Taft National Bank, Taft	017577	June 14, 2004
Colorado		
First National Bank of Colorado Springs, Colorado Springs	017226	July 1, 2004
Connecticut		
The Canaan National Bank, Canaan	008511	September 10, 2004
District of Columbia		
WashingtonFirst Bank, Washington	024464	November 1, 2004
Florida		
CNB National Bank, Lake City	020496	July 16, 2004
Florida Bank, National Association, Tampa	021734	July 16, 2004
Georgia		
Chattahoochee National Bank, Alpharetta	023597	November 15, 2004
Eagle National Bank, Stockbridge	023184	November 1, 2004
Mountain National Bank, Tucker	021549	July 19, 2004
Illinois		
The First National Bank of Decatur, Decatur	004920	November 10, 2004
Community National Bank, Metropolis	003156	August 31, 2004
The First National Bank of Sumner, Olney	006907	August 2, 2004
Iowa		
The Farmers National Bank of Winfield, Mt. Pleasant	010640	July 1, 2004
Kansas		
Emprise Bank National Association, Hays	003885	September 17, 2004
Kentucky		
The State National Bank of Frankfort, Frankfort	004090	May 24, 2004
First National Bank and Trust Company, Georgetown	002927	May 24, 2004
Maryland		
The First National Bank of St. Mary's at Leonardtown, Leonardtown	006606	July 28, 2004
Michigan		
Bank One, Dearborn, National Association, Dearborn	016378	December 1, 2004
First National Bank of Gaylord, Gaylord	016477	July 1, 2004
Minnesota		
Americana National Bank, Albert Lea	010903	November 22, 2004
Nebraska		
First National Bank of Unadilla, Unadilla	012225	September 28, 2004
North Dakota		
Bank of the West, Fargo	005087	December 3, 2004
Ohio		
Stebbins National Bank of Creston, Creston	014709	June 1, 2004
The First National Bank of Shelby, Shelby	001929	October 8, 2004
The Second National Bank of Warren, Warren	002479	July 2, 2004
Wisconsin		
Red Cedar Bank National Association, Boyceville	014801	December 30, 2004

National banks converted out of the national banking system, July 1 to December 31, 2004

Title and location (charter number)	Effective date	Total assets
Indiana		
Bank of Evansville, National Association, Evansville (024167)	September 14, 2004	1,575,668,000
Michigan		
Franklin Bank, National Association, Southfield (022107)	May 28, 2004	554,000,000
Minnesota		
Star Bank, National Association, Bertha (007373)	October 1, 2004	90,512,000
Fortress Bank, National Association, Houston (023410)	August 13, 2004	55,076,000
New Hampshire		
State Street Bank & Trust Company of New Hampshire, National Association, Nashua (022361)	October 25, 2004	51,435,000
North Carolina		
Alamance National Bank, Graham (023544)	November 23, 2004	145,848,000
Ohio		
The Ripley National Bank, Ripley (002837)	October 9, 2004	56,164,000
Oklahoma		
The First National Bank of Calumet, Calumet (012200)	August 16, 2004	18,866,000
The First National Bank of Medford, Medford (005796)	September 27, 2004	24,660,000
McClain Bank, National Association, Purcell (012134)	December 21, 2004	145,000,000
Pennsylvania		
The New Tripoli National Bank, New Tripoli (009656)	June 30, 2004	223,706,000
Texas		
Franklin National Bank, Mt. Vernon (017055)	July 23, 2004	39,911,000
Virginia		
Cardinal Bank, National Association, McLean (023606)	December 22, 2004	1,210,556,000
Wisconsin		
The First National Bank of Stoughton, Stoughton (005222)	December 30, 2004	214,465,000

Federal branches and agencies of foreign banks in operation, July 1 to December 31, 2004

	In operation July 1, 2004	Opened July 1— December 31, 2004	Closed July 1— December 31, 2004	In operation December 31, 2004
Federal branches				
California	1	0	0	1
District of Columbia	1	0	0	1
Florida	0	1	0	1
New York	35	0	0	35
Washington	1	0	0	1
Limited federal branches				
California	7	0	0	7
District of Columbia	1	0	0	1
New York	2	0	0	2
Federal agencies				
Florida	1	0	0	1
Illinois	1	0	0	1
New York	1	0	0	1
Total	**51**	**1**	**0**	**52**

Financial Performance of National Banks

Financial Performance of National Banks

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Assets, liabilities, and capital accounts of national banks
December 31, 2003 and December 31, 2004
(Dollar figures in millions)

	December 31, 2003	December 31, 2004	Change December 31, 2003-- December 31, 2004 fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Number of institutions	**1,999**	**1,906**	**(93)**	**(4.65)**
Total assets	**$4,292,257**	**$5,601,612**	**$1,309,356**	**30.51**
Cash and balances due from depositories	**217,666**	**252,677**	**35,011**	**16.08**
Noninterest-bearing balances, currency and coin	156,788	159,940	3,152	2.01
Interest bearing balances	60,878	92,737	31,859	52.33
Securities	**753,642**	**908,069**	**154,426**	**20.49**
Held-to-maturity securities, amortized cost	25,428	38,981	13,553	53.30
Available-for-sale securities, fair value	728,215	869,088	140,874	19.35
Federal funds sold and securities purchased	**154,245**	**291,601**	**137,356**	**89.05**
Net loans and leases	**2,581,986**	**3,118,027**	**536,040**	**20.76**
Total loans and leases	2,630,614	3,167,015	536,402	20.39
Loans and leases, gross	2,632,498	3,169,239	536,741	20.39
Less: Unearned income	1,884	2,224	339	17.99
Less: Reserve for losses	48,627	48,989	361	0.74
Assets held in trading account	**202,133**	**474,615**	**272,482**	**134.80**
Other real estate owned	**1,941**	**1,529**	**(412)**	**(21.24)**
Intangible assets	**109,303**	**218,743**	**109,440**	**100.13**
All other assets	**271,341**	**336,352**	**65,011**	**23.96**
Total liabilities and equity capital	**4,292,257**	**5,601,612**	**1,309,356**	**30.51**
Deposits in domestic offices	2,322,009	2,848,725	526,716	22.68
Deposits in foreign offices	464,705	732,700	267,995	57.67
Total deposits	**2,786,714**	**3,581,424**	**794,710**	**28.52**
Noninterest-bearing deposits	559,981	700,398	140,417	25.08
Interest-bearing deposits	2,226,733	2,881,027	654,293	29.38
Federal funds purchased and securities sold	**264,746**	**377,858**	**113,112**	**42.72**
Other borrowed money	**499,467**	**518,829**	**19,362**	**3.88**
Trading liabilities less revaluation losses	**26,343**	**115,902**	**89,559**	**339.97**
Subordinated notes and debentures	**73,286**	**90,504**	**17,219**	**23.50**
All other liabilities	**251,180**	**359,018**	**107,838**	**42.93**
Trading liabilities revaluation losses	98,647	155,099	56,452	57.23
Other	152,532	203,919	51,387	33.69
Total equity capital	**390,522**	**558,077**	**167,556**	**42.91**
Perpetual preferred stock	2,645	2,514	(131)	(4.96)
Common stock	12,357	13,520	1,163	9.41
Surplus	210,424	347,911	137,487	65.34
Retained earnings and other comprehensive income	165,686	193,343	27,657	16.69
Other equity capital components	(47)	(65)	(19)	NM

NM indicates calculated percent change is not meaningful.

As of: 6/2/2005

Quarterly income and expenses of national banks
Fourth quarter 2003 and fourth quarter 2004
(Dollar figures in millions)

	Fourth quarter 2003	Fourth quarter 2004	Change Fourth quarter, 2003-- fourth quarter, 2004 fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Number of institutions	**1,999**	**1,906**	**(93)**	**(4.65)**
Net income	**$16,167**	**$18,283**	**$2,115**	**13.08**
Net interest income	**36,971**	**43,147**	**6,176**	**16.71**
Total interest income	49,211	62,271	13,060	26.54
On loans	38,703	46,940	8,236	21.28
From lease financing receivables	1,148	1,308	160	13.93
On balances due from depositories	200	590	391	195.54
On securities	7,276	9,207	1,931	26.54
From assets held in trading account	852	2,525	1,673	196.48
On federal funds sold and securities repurchased	705	1,292	587	83.38
Less: Interest expense	12,240	19,124	6,884	56.24
On deposits	7,946	11,782	3,836	48.27
Of federal funds purchased and securities sold	830	2,056	1,226	147.58
On demand notes and other borrowed money*	2,752	4,036	1,284	46.68
On subordinated notes and debentures	712	1,249	538	75.59
Less: Provision for losses	**5,998**	**4,786**	**(1,212)**	**(20.20)**
Noninterest income	**30,561**	**35,714**	**5,153**	**16.86**
From fiduciary activities	2,340	3,212	872	37.29
Service charges on deposits	5,277	5,845	568	10.77
Trading revenue	1,238	1,882	643	51.96
From interest rate exposures	173	(332)	(505)	(292.18)
From foreign exchange exposures	950	1,770	821	86.41
From equity security and index exposures	101	331	230	NM
From commodity and other exposures	13	112	99	NM
Investment banking brokerage fees	1,371	2,318	947	69.08
Venture capital revenue	(1)	115	116	(9,713.87)
Net servicing fees	3,810	3,461	(349)	(9.16)
Net securitization income	4,625	4,815	190	4.11
Insurance commissions and fees	586	706	120	20.54
Insurance and reinsurance underwriting income	132	139	7	5.32
Income from other insurance activities	453	567	113	24.98
Net gains on asset sales	1,550	1,545	(5)	(0.32)
Sales of loans and leases	1,245	1,376	130	10.45
Sales of other real estate owned	(11)	9	20	(187.99)
Sales of other assets(excluding securities)	315	160	(155)	(49.19)
Other noninterest income	9,767	11,814	2,046	20.95
Gains/losses on securities	**191**	**264**	**73**	**38.14**
Less: Noninterest expense	**38,582**	**47,818**	**9,237**	**23.94**
Salaries and employee benefits	15,636	19,494	3,858	24.67
Of premises and fixed assets	4,491	6,183	1,692	37.68
Goodwill impairment losses	3	1	(2)	(68.28)
Amortization expense and impairment losses	1,083	1,656	573	52.89
Other noninterest expense	17,369	20,484	3,115	17.94
Less: Taxes on income before extraordinary items	**7,354**	**8,309**	**955**	**12.98**
Income/loss from extraordinary items, net of income taxes	**378**	**71**	**(308)**	**(81.37)**
Memoranda:				
Net operating income	15,655	18,004	2,349	15.00
Income before taxes and extraordinary items	23,143	26,521	3,378	14.59
Income net of taxes before extraordinary items	15,789	18,212	2,423	15.35
Cash dividends declared	13,308	9,803	(3,505)	(26.34)
Net charge-offs to loan and lease reserve	7,137	6,220	(917)	(12.85)
Charge-offs to loan and lease reserve	8,745	7,822	(924)	(10.56)
Less: Recoveries credited to loan and lease reserve	1,608	1,601	(7)	(0.42)

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

Year-to-date income and expenses of national banks
Through December 31, 2003 and through December 31, 2004
(Dollar figures in millions)

	December 31, 2003	December 31, 2004	Change December 31, 2003--December 31, 2004 fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Number of institutions	**1,999**	**1,906**	**(93)**	**(4.65)**
Net income	**$62,972**	**$68,150**	**$5,179**	**8.22**
Net interest income	**143,162**	**159,232**	**16,070**	**11.23**
Total interest income	195,290	222,901	27,611	14.14
On loans	152,526	167,254	14,728	9.66
From lease financing receivables	5,868	5,195	(673)	(11.47)
On balances due from depositories	1,351	1,860	510	37.73
On securities	28,313	34,182	5,869	20.73
From assets held in trading account	3,271	8,960	5,689	173.89
On federal funds sold and securities repurchased	2,700	4,077	1,377	51.00
Less: Interest expense	52,128	63,669	11,541	22.14
On deposits	34,109	38,729	4,620	13.55
Of federal funds purchased and securities sold	3,958	6,632	2,674	67.57
On demand notes and other borrowed money*	11,142	14,433	3,291	29.53
On subordinated notes and debentures	2,920	3,875	956	32.73
Less: Provision for losses	**24,011**	**18,671**	**(5,340)**	**(22.24)**
Noninterest income	**116,114**	**127,361**	**11,248**	**9.69**
From fiduciary activities	8,864	11,551	2,687	30.32
Service charges on deposits	20,632	21,650	1,019	4.94
Trading revenue	5,899	8,679	2,780	47.13
From interest rate exposures	1,027	1,338	310	30.19
From foreign exchange exposures	4,401	4,994	593	13.47
From equity security and index exposures	537	1,729	1,192	NM
From commodity and other exposures	(77)	614	691	NM
Investment banking brokerage fees	5,068	7,695	2,627	51.84
Venture capital revenue	(60)	283	342	NM
Net servicing fees	11,743	12,098	355	3.03
Net securitization income	16,634	16,632	(1)	(0.01)
Insurance commissions and fees	2,154	2,501	347	16.13
Insurance and reinsurance underwriting income	453	535	82	18.02
Income from other insurance activities	1,700	1,966	266	15.63
Net gains on asset sales	8,782	6,466	(2,316)	(26.37)
Sales of loans and leases	8,434	4,673	(3,761)	(44.59)
Sales of other real estate owned	(35)	90	124	(359.15)
Sales of other assets(excluding securities)	382	1,703	1,321	345.71
Other noninterest income	36,398	39,805	3,407	9.36
Gains/losses on securities	**2,903**	**3,242**	**340**	**11.70**
Less: Noninterest expense	**144,938**	**170,810**	**25,873**	**17.85**
Salaries and employee benefits	60,873	71,323	10,450	17.17
Of premises and fixed assets	17,136	21,379	4,242	24.76
Goodwill impairment losses	119	11	(108)	(90.50)
Amortization expense and impairment losses	4,125	5,192	1,067	25.87
Other noninterest expense	62,684	72,905	10,221	16.31
Less: Taxes on income before extraordinary items	**30,645**	**32,271**	**1,626**	**5.30**
Income/loss from extraordinary items, net of income taxes	**388**	**68**	**(320)**	**NM**
Memoranda:				
Net operating income	60,602	65,768	5,166	8.52
Income before taxes and extraordinary items	93,230	100,354	7,124	7.64
Income net of taxes before extraordinary items	62,584	68,083	5,499	8.79
Cash dividends declared	45,049	33,042	(12,007)	(26.65)
Net charge-offs to loan and lease reserve	26,973	21,930	(5,043)	(18.70)
Charge-offs to loan and lease reserve	32,617	28,277	(4,340)	(13.31)
Less: Recoveries credited to loan and lease reserve	5,644	6,347	703	12.45

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

Assets of national banks by asset size
December 31, 2004
(Dollar figures in millions)

		National banks				Memoranda:
	All national banks	Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	All commercial banks
Number of institutions reporting	**1,906**	**765**	**971**	**125**	**45**	**7,630**
Total assets	**$5,601,612**	**$42,769**	**$271,667**	**$363,402**	**$4,923,774**	**$8,412,844**
Cash and balances due from	**252,677**	**2,438**	**10,839**	**13,147**	**226,252**	**387,534**
Securities	**908,069**	**11,187**	**65,964**	**75,525**	**755,393**	**1,551,261**
Federal funds sold and securities purchased	**291,601**	**2,142**	**7,925**	**20,297**	**261,238**	**385,097**
Net loans and leases	**3,118,027**	**25,021**	**172,139**	**227,700**	**2,693,166**	**4,831,269**
Total loans and leases	3,167,015	25,381	174,494	231,158	2,735,983	4,904,782
Loans and leases, gross	3,169,239	25,401	174,673	231,283	2,737,882	4,907,990
Less: Unearned income	2,224	20	179	125	1,899	3,208
Less: Reserve for losses	48,989	360	2,354	3,458	42,817	73,513
Assets held in trading account	**474,615**	**2**	**40**	**175**	**474,397**	**504,194**
Other real estate owned	**1,529**	**62**	**242**	**159**	**1,067**	**3,369**
Intangible assets	**218,743**	**140**	**2,586**	**10,408**	**205,610**	**274,840**
All other assets	**336,352**	**1,778**	**11,932**	**15,991**	**306,651**	**475,280**
Gross loans and leases by type:						
Loans secured by real estate	**1,572,069**	**15,844**	**121,716**	**144,694**	**1,289,814**	**2,624,587**
1- to 4-family residential mortgages	745,260	6,271	38,649	52,383	647,958	1,083,282
Home equity loans	294,920	569	7,524	11,900	274,927	398,897
Multifamily residential mortgages	39,934	392	4,260	6,240	29,042	87,907
Commercial RE loans	301,722	4,919	48,734	49,989	198,080	667,104
Construction RE loans	128,556	1,769	16,646	21,757	88,384	289,929
Farmland loans	14,679	1,925	5,901	1,827	5,026	44,599
RE loans from foreign offices	46,998	0	2	599	46,397	52,869
Commercial and industrial loans	**580,257**	**4,017**	**27,996**	**46,050**	**502,194**	**908,492**
Loans to individuals	**615,767**	**2,647**	**14,845**	**29,582**	**568,693**	**838,976**
Credit cards*	300,351	63	1,971	11,490	286,827	371,698
Other revolving credit plans	34,265	47	340	1,216	32,662	39,165
Installment loans	281,151	2,537	12,534	16,876	249,204	428,112
All other loans and leases	**401,146**	**2,893**	**10,116**	**10,956**	**377,181**	**535,935**
Securities by type:						
U.S. Treasury securities	**37,028**	**478**	**1,918**	**3,522**	**31,110**	**63,838**
Mortgage-backed securities	**568,794**	**2,606**	**23,185**	**44,225**	**498,778**	**876,389**
Pass-through securities	441,055	2,049	16,387	25,194	397,425	604,465
Collateralized mortgage obligations	127,740	557	6,798	19,032	101,352	271,924
Other securities	**269,477**	**8,100**	**40,568**	**27,214**	**193,596**	**541,687**
Other U.S. government securities	87,602	5,806	24,958	15,507	41,330	269,910
State and local government securities	52,735	1,892	12,548	7,694	30,601	111,889
Other debt securities	121,646	245	2,258	3,359	115,784	144,422
Equity securities	7,494	156	803	654	5,880	15,466
Memoranda:						
Agricultural production loans	20,662	2,428	5,644	2,025	10,565	48,642
Pledged securities	424,650	4,420	32,334	44,645	343,251	772,119
Book value of securities	903,414	11,196	65,856	75,415	750,947	1,545,233
Available-for-sale securities	864,434	9,552	57,512	66,739	730,632	1,417,535
Held-to-maturity securities	38,981	1,644	8,345	8,676	20,315	127,698
Market value of securities	908,390	11,195	66,037	75,567	755,590	1,551,822
Available-for-sale securities	869,088	9,542	57,619	66,848	735,078	1,423,563
Held-to-maturity securities	39,301	1,653	8,417	8,719	20,512	128,260

Past-due and nonaccrual loans and leases of national banks by asset size
December 31, 2004
(Dollar figures in millions)

		National banks				Memoranda:
	All national banks	Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	All commercial banks
Number of institutions reporting	**1,906**	**765**	**971**	**125**	**45**	**7,630**
Loans and leases past due 30-89 days	**$27,554**	**$314**	**$1,557**	**$1,771**	**$23,912**	**$42,441**
Loans secured by real estate	**11,738**	**182**	**939**	**951**	**9,666**	**19,092**
1- to 4-family residential mortgages	7,809	107	471	536	6,695	11,398
Home equity loans	1,142	2	23	28	1,088	1,492
Multifamily residential mortgages	156	3	22	22	109	320
Commercial RE loans	1,323	40	280	191	812	3,288
Construction RE loans	782	16	106	160	501	1,677
Farmland loans	81	13	38	14	16	266
RE loans from foreign offices	444	0	0	0	444	651
Commercial and industrial loans	**3,242**	**52**	**283**	**355**	**2,551**	**6,099**
Loans to individuals	**11,336**	**65**	**278**	**411**	**10,583**	**15,246**
Credit cards	6,649	1	76	245	6,327	8,311
Installment loans and other plans	4,687	63	202	166	4,256	6,935
All other loans and leases	**1,239**	**15**	**56**	**55**	**1,112**	**2,005**
Loans and leases past due 90+ days	**11,823**	**61**	**293**	**434**	**11,035**	**15,065**
Loans secured by real estate	**3,762**	**35**	**161**	**91**	**3,475**	**5,109**
1- to 4-family residential mortgages	3,337	20	71	53	3,193	4,059
Home equity loans	116	0	3	6	107	188
Multifamily residential mortgages	15	0	2	6	8	29
Commercial RE loans	188	6	67	13	102	489
Construction RE loans	66	3	12	12	39	190
Farmland loans	21	5	7	1	8	72
RE loans from foreign offices	18	0	0	0	18	82
Commercial and industrial loans	**522**	**10**	**60**	**95**	**357**	**1,021**
Loans to individuals	**7,443**	**10**	**62**	**241**	**7,130**	**8,727**
Credit cards	5,631	1	36	211	5,384	6,566
Installment loans and other plans	1,811	9	25	31	1,746	2,161
All other loans and leases	**97**	**6**	**11**	**7**	**73**	**209**
Nonaccrual loans and leases	**17,708**	**201**	**977**	**1,045**	**15,486**	**26,910**
Loans secured by real estate	**7,002**	**112**	**632**	**633**	**5,625**	**12,016**
1- to 4-family residential mortgages	3,083	38	178	203	2,664	4,790
Home equity loans	420	2	7	14	396	536
Multifamily residential mortgages	154	3	16	18	118	277
Commercial RE loans	1,972	48	292	313	1,318	4,143
Construction RE loans	503	8	95	60	340	1,095
Farmland loans	161	13	45	25	78	364
RE loans from foreign offices	710	0	0	0	710	812
Commercial and industrial loans	**6,570**	**57**	**237**	**311**	**5,965**	**9,594**
Loans to individuals	**2,759**	**13**	**55**	**47**	**2,645**	**3,499**
Credit cards	457	0	22	19	416	856
Installment loans and other plans	2,302	13	33	28	2,230	2,643
All other loans and leases	**1,453**	**19**	**53**	**54**	**1,326**	**1,919**

Liabilities of national banks by asset size
December 31, 2004
(Dollar figures in millions)

	All national banks	National banks: Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	Memoranda: All commercial banks
Number of institutions reporting	**1,906**	**765**	**971**	**125**	**45**	**7,630**
Total liabilities and equity capital	**5,601,612**	**42,769**	**271,667**	**363,402**	**4,923,774**	**8,412,844**
Deposits in domestic offices	2,848,725	35,670	218,788	238,421	2,355,845	4,726,933
Deposits in foreign offices	732,700	22	266	4,573	727,839	865,892
Total deposits	**3,581,424**	**35,692**	**219,054**	**242,994**	**3,083,684**	**5,592,825**
Noninterest bearing	700,398	6,541	37,502	43,597	612,758	1,052,675
Interest bearing	2,881,027	29,151	181,552	199,398	2,470,926	4,540,150
Federal funds purchased and securities sold	**377,858**	**486**	**7,103**	**33,994**	**336,275**	**577,989**
Other borrowed funds	**518,829**	**1,311**	**15,152**	**38,304**	**464,061**	**736,437**
Trading liabilities less revaluation losses	**115,902**	**0**	**1**	**0**	**115,901**	**116,228**
Subordinated notes and debentures	**90,504**	**4**	**246**	**1,517**	**88,737**	**110,138**
All other liabilities	**359,018**	**305**	**2,380**	**6,472**	**349,861**	**429,159**
Equity capital	**558,077**	**4,971**	**27,732**	**40,120**	**485,255**	**850,068**
Total deposits by depositor:						
Individuals and corporations	2,840,146	21,446	148,859	189,427	2,480,414	4,397,787
U.S., state, and local governments	128,992	3,268	17,614	16,108	92,001	243,045
Depositories in the U.S.	69,271	564	3,434	4,903	60,370	99,729
Foreign banks and governments	177,303	7	312	394	176,589	196,715
Domestic deposits by depositor:						
Individuals and corporations	2,304,043	21,427	148,849	187,126	1,946,640	3,748,434
U.S., state, and local governments	128,992	3,268	17,614	16,108	92,001	243,045
Depositories in the U.S.	36,789	564	3,379	2,781	30,064	62,498
Foreign banks and governments	13,406	7	110	246	13,042	18,288
Foreign deposits by depositor:						
Individuals and corporations	536,103	19	9	2,301	533,774	649,353
Depositories in the U.S.	32,482	0	55	2,122	30,305	37,231
Foreign banks and governments	163,897	0	202	148	163,547	178,428
Deposits in domestic offices by type:						
Transaction deposits	**425,191**	**11,909**	**55,271**	**37,412**	**320,599**	**757,241**
Demand deposits	324,635	6,437	31,985	27,191	259,022	547,851
Savings deposits	**1,698,789**	**8,547**	**76,615**	**130,237**	**1,483,390**	**2,577,409**
Money market deposit accounts	1,265,126	4,468	43,483	97,484	1,119,691	1,894,833
Other savings deposits	433,663	4,079	33,132	32,752	363,699	682,576
Time deposits	**724,745**	**15,215**	**86,902**	**70,773**	**551,855**	**1,392,282**
Small time deposits	331,282	9,890	51,498	36,251	233,643	666,827
Large time deposits	393,463	5,325	35,403	34,522	318,212	725,455

Off-balance-sheet items of national banks by asset size
December 31, 2004
(Dollar figures in millions)

		National banks				Memoranda:
	All national banks	Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	All commercial banks
Number of institutions reporting	**1,906**	**765**	**971**	**125**	**45**	**7,630**
Unused commitments	**$4,453,104**	**$55,744**	**$138,848**	**$714,297**	**$3,544,214**	**$5,813,860**
Home equity lines	293,385	397	6,112	10,853	276,024	393,494
Credit card lines	2,821,265	51,801	103,589	651,811	2,014,063	3,526,153
Commercial RE, construction and land	129,765	1,019	10,382	17,374	100,990	249,495
All other unused commitments	1,208,689	2,527	18,766	34,259	1,153,137	1,644,718
Letters of credit:						
Standby letters of credit	**259,179**	**115**	**1,923**	**4,930**	**252,211**	**337,611**
Financial letters of credit	218,547	69	1,192	3,724	213,563	288,533
Performance letters of credit	40,632	46	731	1,206	38,649	49,079
Commercial letters of credit	**24,270**	**17**	**456**	**378**	**23,418**	**28,369**
Securities lent	**457,946**	**44**	**33**	**1,730**	**456,139**	**1,165,311**
Spot foreign exchange contracts	**400,542**	**0**	**1**	**150**	**400,390**	**418,832**
Credit derivatives (notional value)						
Reporting bank is the guarantor	1,125,687	0	0	0	1,125,687	1,127,101
Reporting bank is the beneficiary	1,209,280	0	40	0	1,209,240	1,219,593
Derivative contracts (notional value)	**86,319,387**	**22**	**2,725**	**12,968**	**86,303,672**	**87,880,946**
Futures and forward contracts	10,812,270	0	830	1,822	10,809,618	11,372,880
Interest rate contracts	6,434,025	0	816	1,227	6,431,982	6,520,239
Foreign exchange contracts	4,250,770	0	14	594	4,250,162	4,716,750
All other futures and forwards	127,475	0	0	0	127,475	135,891
Option contracts	17,364,347	17	595	2,583	17,361,151	17,749,728
Interest rate contracts	14,603,722	15	552	2,052	14,601,103	14,950,265
Foreign exchange contracts	1,708,926	0	0	493	1,708,433	1,734,365
All other options	1,051,699	2	43	39	1,051,615	1,065,098
Swaps	55,807,803	5	1,260	8,564	55,797,975	56,411,645
Interest rate contracts	53,504,367	5	1,247	8,551	53,494,564	54,048,026
Foreign exchange contracts	2,121,180	0	0	0	2,121,180	2,155,470
All other swaps	182,257	0	13	13	182,231	208,148
Memoranda: Derivatives by purpose						
Contracts held for trading	81,640,045	0	89	1,975	81,637,981	82,925,171
Contracts not held for trading	2,344,375	22	2,596	10,993	2,330,763	2,609,082
Memoranda: Derivatives by position						
Held for trading--positive fair value	1,291,414	0	1	18	1,291,396	1,308,115
Held for trading--negative fair value	1,267,378	0	1	14	1,267,363	1,283,796
Not for trading--positive fair value	18,222	1	15	57	18,149	20,150
Not for trading--negative fair value	15,810	0	19	67	15,724	18,371

As of: 6/2/2005

Quarterly income and expenses of national banks by asset size
Fourth quarter 2004
(Dollar figures in millions)

		National banks				Memoranda:
	All national banks	Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	All commercial banks
Number of institutions reporting	**1,906**	**765**	**971**	**125**	**45**	**7,630**
Net income	**$18,283**	**$110**	**$839**	**$1,301**	**$16,033**	**$27,030**
Net interest income	**43,147**	**414**	**2,578**	**3,283**	**36,872**	**66,944**
Total interest income	62,271	551	3,516	4,539	53,665	95,940
On loans	46,940	432	2,811	3,589	40,108	72,500
From lease financing receivables	1,308	3	19	57	1,230	1,924
On balances due from depositories	590	5	16	25	544	1,047
On securities	9,207	97	609	733	7,769	15,159
From assets held in trading account	2,525	(0)	0	3	2,521	2,689
On fed. funds sold & securities repurchased	1,292	11	42	101	1,138	1,677
Less: Interest expense	19,124	137	938	1,255	16,793	28,996
On deposits	11,782	124	776	758	10,123	18,654
Of federal funds purchased & securities sold	2,056	2	29	165	1,860	3,058
On demand notes & other borrowed money*	4,036	12	129	305	3,591	5,810
On subordinated notes and debentures	1,249	0	3	27	1,220	1,473
Less: Provision for losses	**4,786**	**24**	**192**	**392**	**4,178**	**6,888**
Noninterest income	**35,714**	**161**	**1,256**	**2,499**	**31,799**	**50,259**
From fiduciary activities	3,212	11	148	448	2,605	6,029
Service charges on deposits	5,845	50	329	331	5,135	8,413
Trading revenue	1,882	(0)	1	11	1,870	2,210
From interest rate exposures	(332)	0	1	9	(343)	(472)
From foreign exchange exposures	1,770	0	(1)	1	1,770	1,981
From equity security and index exposures	331	0	0	(0)	331	574
From commodity and other exposures	112	0	0	0	112	114
Investment banking brokerage fees	2,318	1	18	44	2,254	2,837
Venture capital revenue	115	(0)	(0)	0	115	111
Net servicing fees	3,461	50	88	153	3,170	4,170
Net securitization income	4,815	0	86	67	4,662	6,276
Insurance commissions and fees	706	9	15	48	634	1,140
Insurance and reinsurance underwriting income	139	0	0	3	136	180
Income from other insurance activities	567	8	15	45	499	960
Net gains on asset sales	1,545	4	97	562	882	2,488
Sales of loans and leases	1,376	3	96	562	715	2,274
Sales of other real estate owned	9	(0)	(2)	(0)	12	12
Sales of other assets(excluding securities)	160	1	3	0	155	202
Other noninterest income	11,814	36	473	834	10,471	16,585
Gains/losses on securities	**264**	**0**	**(9)**	**(10)**	**283**	**197**
Less: Noninterest expense	**47,818**	**404**	**2,502**	**3,401**	**41,511**	**71,056**
Salaries and employee benefits	19,494	211	1,186	1,391	16,707	29,747
Of premises and fixed assets	6,183	50	299	352	5,482	9,023
Goodwill impairment losses	1	0	0	1	0	112
Amortization expense and impairment losses	1,656	2	24	138	1,493	1,929
Other noninterest expense	20,484	141	993	1,520	17,830	30,245
Less: Taxes on income before extraord. items	**8,309**	**37**	**293**	**679**	**7,300**	**12,497**
Income/loss from extraord. items, net of taxes	**68**	**(0)**	**1**	**(3)**	**69**	**71**
Memoranda:						
Net operating income	18,004	111	843	1,308	15,742	26,796
Income before taxes and extraordinary items	26,521	147	1,131	1,979	23,264	39,455
Income net of taxes before extraordinary items	18,212	111	838	1,300	15,963	26,958
Cash dividends declared	9,803	108	571	757	8,366	15,808
Net loan and lease losses	6,220	21	170	328	5,702	8,295
Charge-offs to loan and lease reserve	7,822	28	207	415	7,172	10,504
Less: Recoveries credited to loan & lease resv.	1,601	8	37	87	1,470	2,209

* Includes mortgage indebtedness

Year-to-date income and expenses of national banks by asset size
Through December 31, 2004
(Dollar figures in millions)

		National banks				Memoranda:
	All national banks	Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	All commercial banks
Number of institutions reporting	**1,906**	**765**	**971**	**125**	**45**	**7,630**
Net income	**$68,150**	**$433**	**$3,355**	**$5,097**	**$59,266**	**$104,724**
Net interest income	**159,232**	**1,577**	**9,763**	**12,420**	**135,473**	**249,689**
Total interest income	222,901	2,094	13,196	16,607	191,004	347,415
On loans	167,254	1,639	10,506	13,050	142,060	261,829
From lease financing receivables	5,195	10	70	225	4,890	7,255
On balances due from depositories	1,860	19	51	63	1,727	3,383
On securities	34,182	389	2,394	2,859	28,540	56,946
From assets held in trading account	8,960	0	2	8	8,950	9,712
On fed. funds sold & securities repurchased	4,077	28	107	283	3,660	5,056
Less: Interest expense	63,669	517	3,434	4,187	55,531	97,726
On deposits	38,729	467	2,851	2,602	32,809	62,605
Of federal funds purchased & securities sold	6,632	6	90	467	6,069	9,580
On demand notes & other borrowed money*	14,433	44	482	1,021	12,887	20,823
On subordinated notes and debentures	3,875	0	11	98	3,766	4,717
Less: Provision for losses	**18,671**	**93**	**597**	**1,509**	**16,473**	**26,203**
Noninterest income	**127,361**	**562**	**4,914**	**9,143**	**112,741**	**184,083**
From fiduciary activities	11,551	42	582	1,556	9,372	22,563
Service charges on deposits	21,650	198	1,281	1,315	18,857	31,931
Trading revenue	8,679	(0)	6	43	8,630	9,666
From interest rate exposures	1,338	0	7	37	1,294	674
From foreign exchange exposures	4,994	0	(0)	2	4,992	5,932
From equity security and index exposures	1,729	0	0	(0)	1,730	2,405
From commodity and other exposures	614	0	0	0	614	616
Investment banking brokerage fees	7,695	4	73	180	7,439	9,698
Venture capital revenue	283	(0)	(1)	1	282	273
Net servicing fees	12,098	136	365	615	10,982	14,887
Net securitization income	16,632	0	392	291	15,950	22,228
Insurance commissions and fees	2,501	36	84	168	2,213	4,173
Insurance and reinsurance underwriting income	535	1	1	12	521	696
Income from other insurance activities	1,966	36	83	156	1,692	3,477
Net gains on asset sales	6,466	12	369	1,983	4,102	9,601
Sales of loans and leases	4,673	10	336	1,960	2,368	7,559
Sales of other real estate owned	90	0	20	14	56	115
Sales of other assets(excluding securities)	1,703	2	13	10	1,678	1,927
Other noninterest income	39,805	135	1,764	2,990	34,915	59,064
Gains/losses on securities	**3,242**	**7**	**43**	**47**	**3,145**	**3,666**
Less: Noninterest expense	**170,810**	**1,493**	**9,571**	**12,413**	**147,333**	**257,634**
Salaries and employee benefits	71,323	773	4,569	5,224	60,757	110,877
Of premises and fixed assets	21,379	188	1,150	1,290	18,751	32,203
Goodwill impairment losses	11	0	0	1	10	130
Amortization expense and impairment losses	5,192	7	120	530	4,536	6,093
Other noninterest expense	72,905	525	3,732	5,369	63,280	108,332
Less: Taxes on income before extraord. items	**32,271**	**127**	**1,198**	**2,588**	**28,357**	**48,948**
Income/loss from extraord. items, net of taxes	**68**	**(0)**	**1**	**(3)**	**69**	**71**
Memoranda:						
Net operating income	65,768	427	3,320	5,067	56,954	102,020
Income before taxes and extraordinary items	100,354	560	4,552	7,688	87,553	153,600
Income net of taxes before extraordinary items	68,083	433	3,354	5,100	59,196	104,652
Cash dividends declared	33,042	294	1,847	3,231	27,669	55,696
Net loan and lease losses	21,930	70	495	1,112	20,253	29,155
Charge-offs to loan and lease reserve	28,277	95	671	1,439	26,072	37,843
Less: Recoveries credited to loan & lease resv.	6,347	25	176	327	5,819	8,687

* Includes mortgage indebtedness

Quarterly net loan and lease losses of national banks by asset size
Fourth quarter, 2004
(Dollar figures in millions)

		National banks				Memoranda:
	All national banks	Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	All commercial banks
Number of institutions reporting	**1,906**	**765**	**971**	**125**	**45**	**7,630**
Net charge-offs to loan and lease reserve	**$6,220**	**$21**	**$170**	**$328**	**$5,702**	**$8,295**
Loans secured by real estate	**364**	**5**	**28**	**25**	**305**	**634**
1- to 4-family residential mortgages	183	1	11	11	160	276
Home equity loans	72	0	2	2	68	100
Multifamily residential mortgages	4	0	0	1	3	10
Commercial RE loans	54	2	10	10	31	168
Construction RE loans	19	1	3	1	14	45
Farmland loans	5	0	1	0	3	10
RE loans from foreign offices	27	0	0	0	27	24
Commercial and industrial loans	**575**	**7**	**63**	**95**	**410**	**1,181**
Loans to individuals	**5,139**	**7**	**70**	**195**	**4,867**	**6,211**
Credit cards	3,603	0	43	152	3,408	4,345
Installment loans and other plans	1,536	7	26	43	1,459	1,866
All other loans and leases	**143**	**2**	**9**	**12**	**120**	**269**
Charge-offs to loan and lease reserve	**7,822**	**28**	**207**	**415**	**7,172**	**10,504**
Loans secured by real estate	**481**	**6**	**34**	**37**	**404**	**815**
1- to 4-family residential mortgages	228	2	13	14	199	340
Home equity loans	91	0	2	3	86	124
Multifamily residential mortgages	5	0	0	1	3	13
Commercial RE loans	81	3	13	15	50	223
Construction RE loans	31	1	3	3	23	60
Farmland loans	8	0	2	1	5	15
RE loans from foreign offices	38	0	0	0	38	40
Commercial and industrial loans	**1,056**	**10**	**75**	**123**	**848**	**1,836**
Loans to individuals	**6,042**	**10**	**85**	**235**	**5,712**	**7,440**
Credit cards	4,163	1	49	178	3,935	5,088
Installment loans and other plans	1,879	9	36	56	1,777	2,351
All other loans and leases	**243**	**2**	**12**	**20**	**208**	**413**
Recoveries credited to loan and lease reserve	**1,601**	**8**	**37**	**87**	**1,470**	**2,209**
Loans secured by real estate	**118**	**1**	**6**	**12**	**98**	**181**
1- to 4-family residential mortgages	45	0	2	3	39	64
Home equity loans	19	0	0	1	18	24
Multifamily residential mortgages	1	0	0	0	1	3
Commercial RE loans	27	0	3	5	19	55
Construction RE loans	12	0	0	2	9	15
Farmland loans	3	0	1	0	2	5
RE loans from foreign offices	11	0	0	0	11	15
Commercial and industrial loans	**481**	**3**	**12**	**27**	**438**	**655**
Loans to individuals	**903**	**3**	**16**	**39**	**845**	**1,229**
Credit cards	560	0	6	26	527	744
Installment loans and other plans	343	2	10	13	318	485
All other loans and leases	**100**	**1**	**3**	**8**	**88**	**144**

Year-to-date net loan and lease losses of national banks by asset size
Through December 31, 2004
(Dollar figures in millions)

	All national banks	National banks: Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	Memoranda: All commercial banks
Number of institutions reporting	**1,906**	**765**	**971**	**125**	**45**	**7,630**
Net charge-offs to loan and lease reserve	**21,930**	**70**	**495**	**1,112**	**20,253**	**29,155**
Loans secured by real estate	**1,114**	**13**	**71**	**85**	**945**	**1,944**
1- to 4-family residential mortgages	569	4	28	41	495	871
Home equity loans	241	0	4	6	231	355
Multifamily residential mortgages	15	0	1	2	12	33
Commercial RE loans	150	6	27	25	93	453
Construction RE loans	46	2	9	10	26	130
Farmland loans	10	1	2	1	6	18
RE loans from foreign offices	82	0	0	0	82	83
Commercial and industrial loans	**2,446**	**28**	**132**	**308**	**1,978**	**4,423**
Loans to individuals	**17,886**	**24**	**272**	**687**	**16,903**	**21,940**
Credit cards	13,138	1	176	540	12,421	16,042
Installment loans and other plans	4,749	23	96	148	4,482	5,898
All other loans and leases	**484**	**4**	**20**	**32**	**427**	**848**
Charge-offs to loan and lease reserve	**28,277**	**95**	**671**	**1,439**	**26,072**	**37,843**
Loans secured by real estate	**1,567**	**17**	**91**	**122**	**1,336**	**2,623**
1- to 4-family residential mortgages	745	6	37	54	647	1,127
Home equity loans	306	0	4	8	293	439
Multifamily residential mortgages	22	0	1	5	16	44
Commercial RE loans	267	7	35	39	186	654
Construction RE loans	90	2	10	14	64	194
Farmland loans	18	1	4	2	10	37
RE loans from foreign offices	120	0	0	0	120	127
Commercial and industrial loans	**4,456**	**36**	**178**	**412**	**3,830**	**7,093**
Loans to individuals	**21,317**	**34**	**361**	**842**	**20,080**	**26,665**
Credit cards	15,329	2	213	631	14,484	18,960
Installment loans and other plans	5,988	32	148	211	5,596	7,704
All other loans and leases	**938**	**8**	**40**	**63**	**826**	**1,461**
Recoveries credited to loan and lease reserve	**6,347**	**25**	**176**	**327**	**5,819**	**8,687**
Loans secured by real estate	**453**	**3**	**21**	**38**	**391**	**680**
1- to 4-family residential mortgages	176	2	9	13	152	256
Home equity loans	65	0	1	3	62	85
Multifamily residential mortgages	7	0	0	2	4	11
Commercial RE loans	116	1	8	15	93	201
Construction RE loans	44	1	1	4	39	64
Farmland loans	8	1	2	1	5	19
RE loans from foreign offices	37	0	0	0	37	44
Commercial and industrial loans	**2,010**	**8**	**46**	**104**	**1,852**	**2,670**
Loans to individuals	**3,431**	**10**	**89**	**155**	**3,177**	**4,725**
Credit cards	2,192	0	37	91	2,063	2,918
Installment loans and other plans	1,239	10	52	63	1,114	1,806
All other loans and leases	**454**	**4**	**20**	**31**	**399**	**613**

Number of national banks by state and asset size
December 31, 2004

	All national banks	National banks: Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	Memoranda: All commercial banks
All institutions	**1,906**	**765**	**971**	**125**	**45**	**7,630**
Alabama	23	11	10	1	1	153
Alaska	2	1	0	1	0	5
Arizona	14	4	5	4	1	45
Arkansas	42	11	29	2	0	161
California	72	19	39	12	2	262
Colorado	45	20	22	3	0	166
Connecticut	9	1	6	1	1	23
Delaware	9	1	3	2	3	27
District of Columbia	4	1	3	0	0	5
Florida	66	10	49	7	0	256
Georgia	54	18	35	1	0	325
Hawaii	1	0	1	0	0	6
Idaho	1	0	1	0	0	14
Illinois	158	60	90	6	2	645
Indiana	32	7	18	6	1	140
Iowa	46	19	26	1	0	395
Kansas	94	61	29	4	0	355
Kentucky	42	16	25	1	0	214
Louisiana	14	4	8	1	1	138
Maine	5	1	2	1	1	17
Maryland	10	2	7	1	0	67
Massachusetts	11	2	8	1	0	37
Michigan	22	8	13	0	1	153
Minnesota	111	63	45	2	1	457
Mississippi	19	6	11	2	0	94
Missouri	44	21	19	3	1	342
Montana	14	11	3	0	0	77
Nebraska	67	44	21	2	0	252
Nevada	7	1	1	4	1	36
New Hampshire	4	1	1	1	1	13
New Jersey	21	0	14	4	3	75
New Mexico	14	3	8	3	0	49
New York	54	12	34	7	1	132
North Carolina	5	0	3	0	2	73
North Dakota	12	6	4	2	0	100
Ohio	78	31	35	5	7	181
Oklahoma	82	41	39	1	1	269
Oregon	3	1	1	1	0	38
Pennsylvania	73	17	44	9	3	165
Rhode Island	4	2	0	1	1	8
South Carolina	25	8	15	2	0	75
South Dakota	17	6	8	1	2	87
Tennessee	28	6	18	1	3	188
Texas	311	163	134	14	0	639
Utah	7	2	3	0	2	62
Vermont	8	2	6	0	0	14
Virginia	38	7	28	2	1	125
Washington	13	7	6	0	0	77
West Virginia	16	8	7	1	0	66
Wisconsin	40	13	25	1	1	270
Wyoming	15	6	9	0	0	41
U.S. territories	0	0	0	0	0	16

Total assets of national banks by state and asset size
December 31, 2004
(Dollar figures in millions)

		National banks				Memoranda:
	All national banks	Less than $100 million	$100 million to $1 billion	$1 billion to $10 billion	Greater than $10 billion	All commercial banks
All institutions	**$5,601,612**	**$42,769**	**$271,667**	**$363,402**	**$4,923,774**	**$8,412,844**
Alabama	23,292	680	2,258	1,469	18,885	234,974
Alaska	2,224	76	0	2,148	0	3,521
Arizona	54,552	202	2,346	7,581	44,423	58,625
Arkansas	9,974	596	7,110	2,268	0	38,802
California	106,996	1,156	11,201	33,130	61,510	279,534
Colorado	11,058	1,020	5,747	4,291	0	36,526
Connecticut	22,110	99	2,042	3,166	16,802	23,732
Delaware	292,562	87	995	6,172	285,308	339,548
District of Columbia	666	91	574	0	0	721
Florida	37,102	780	13,095	23,227	0	89,234
Georgia	17,741	1,121	7,807	8,813	0	216,142
Hawaii	456	0	456	0	0	25,862
Idaho	312	0	312	0	0	4,234
Illinois	132,876	3,405	24,418	18,601	86,452	300,821
Indiana	54,515	462	7,817	17,778	28,457	87,187
Iowa	9,843	1,131	7,075	1,638	0	45,969
Kansas	17,961	3,281	8,615	6,065	0	45,341
Kentucky	15,769	1,030	4,846	9,893	0	48,715
Louisiana	32,781	262	2,050	8,213	22,257	54,922
Maine	30,578	39	861	1,024	28,655	34,083
Maryland	2,895	120	1,552	1,223	0	37,127
Massachusetts	9,017	121	1,836	7,061	0	157,370
Michigan	42,586	396	3,062	0	39,128	176,067
Minnesota	30,464	3,407	10,587	4,029	12,441	60,026
Mississippi	12,111	346	2,783	8,983	0	41,083
Missouri	30,625	1,286	5,922	10,616	12,800	86,194
Montana	1,438	620	818	0	0	14,370
Nebraska	13,996	2,064	4,574	7,359	0	30,526
Nevada	27,227	53	215	8,654	18,305	54,420
New Hampshire	15,279	62	230	1,621	13,365	17,687
New Jersey	59,671	0	4,677	11,268	43,726	104,548
New Mexico	6,733	138	1,783	4,812	0	12,871
New York	726,312	802	12,771	18,211	694,529	1,010,083
North Carolina	1,163,488	0	1,906	0	1,161,582	1,295,565
North Dakota	6,305	299	1,566	4,440	0	14,381
Ohio	1,418,954	1,784	11,626	11,604	1,393,941	1,525,687
Oklahoma	24,571	2,220	8,846	1,877	11,628	46,513
Oregon	9,166	53	223	8,891	0	22,994
Pennsylvania	153,931	1,093	14,408	25,815	112,616	200,026
Rhode Island	228,446	59	0	9,647	218,740	243,539
South Carolina	9,097	615	3,876	4,606	0	37,390
South Dakota	429,979	223	3,180	5,611	420,965	441,128
Tennessee	99,790	475	6,944	1,311	91,059	127,739
Texas	82,333	8,488	34,869	38,976	0	151,460
Utah	31,837	98	509	0	31,230	151,306
Vermont	1,575	125	1,450	0	0	6,571
Virginia	57,781	379	8,793	7,645	40,963	137,330
Washington	2,082	374	1,708	0	0	26,323
West Virginia	4,421	489	1,724	2,209	0	18,982
Wisconsin	23,938	761	7,712	1,458	14,007	95,028
Wyoming	2,196	306	1,890	0	0	5,296
U.S. territories	0	0	0	0	0	94,723

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