



25th Anniversary

CONDITION AND PERFORMANCE
OF COMMERCIAL BANKS

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Second Quarter 2006

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

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

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

Source: Integrated Banking Information System (OCC)

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

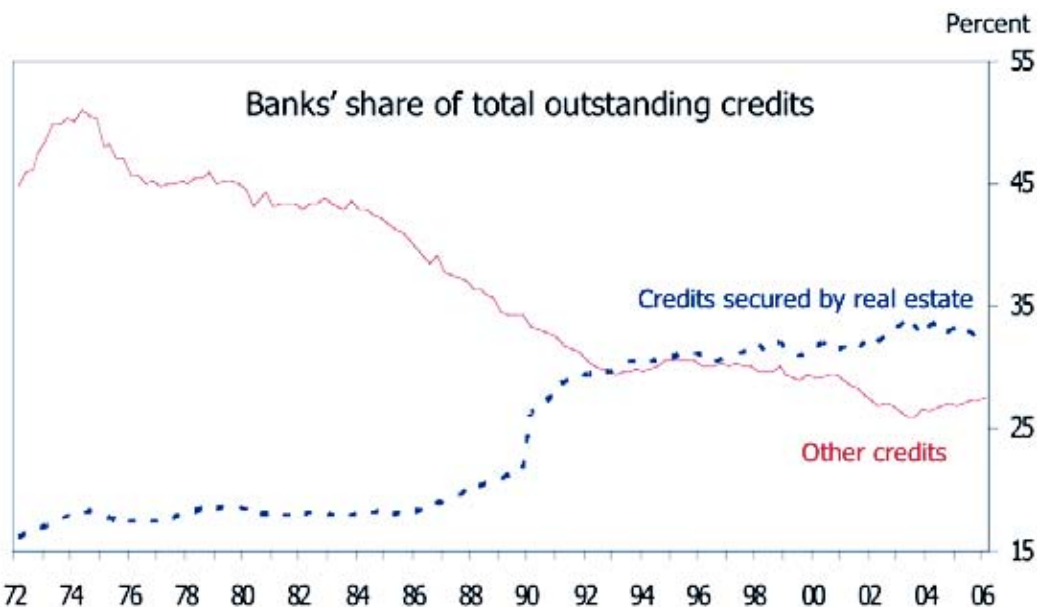
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Noninterest income showed particular strength, driven by three major items: trading gains, which came from just a few companies, and accounted for 60 percent of the increase; servicing fees (15 percent), linked to the slowdown in mortgage refinancing;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

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

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

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



Source: Federal Reserve Board/Haver Analytics

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

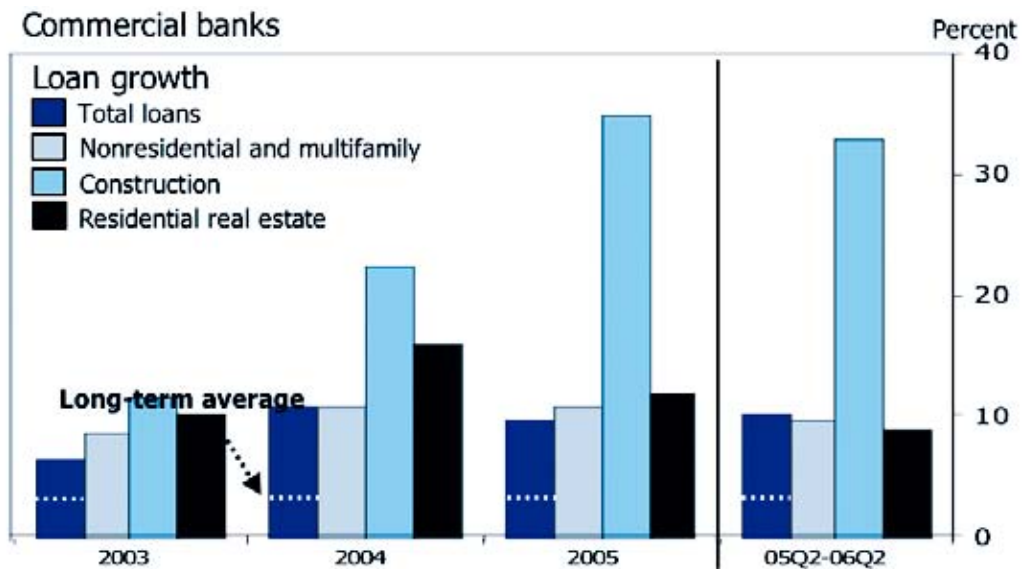
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in credit has been the growth of the mortgage market, defined broadly to include home equity and commercial loans backed by real estate, construction and land development loans, as well as residential mortgage loans. Over the same 12-year period, total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

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

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

Figure 2—Real estate-related loans continue to grow



Source: Integrated Banking Information System (OCC)

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

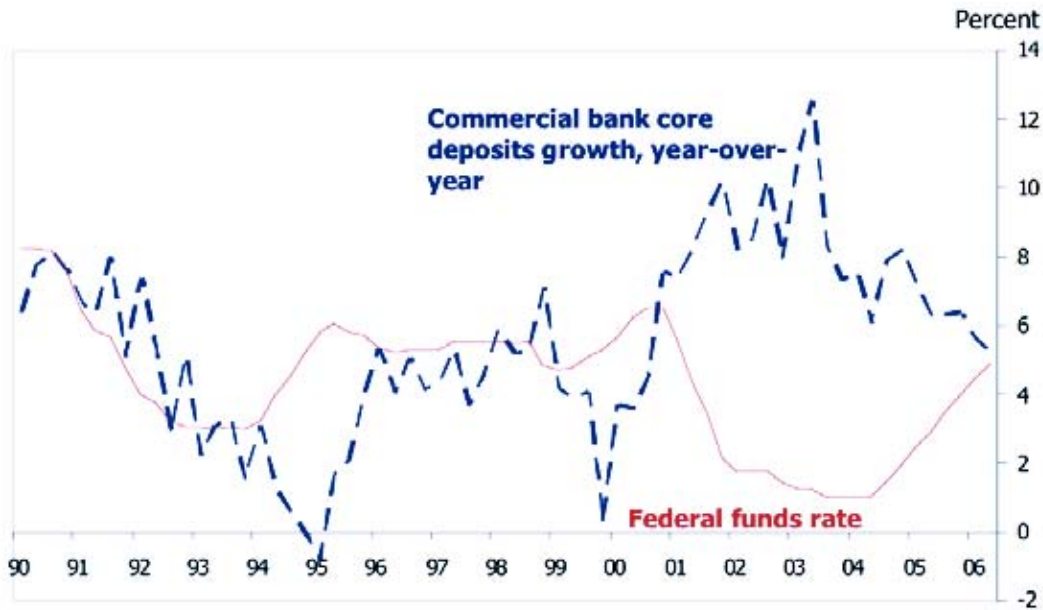
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from the last few quarters show a pronounced slowing in home equity lending at banks, though first mortgage lending has continued to grow through August, according to the Federal Reserve Board.

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

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

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

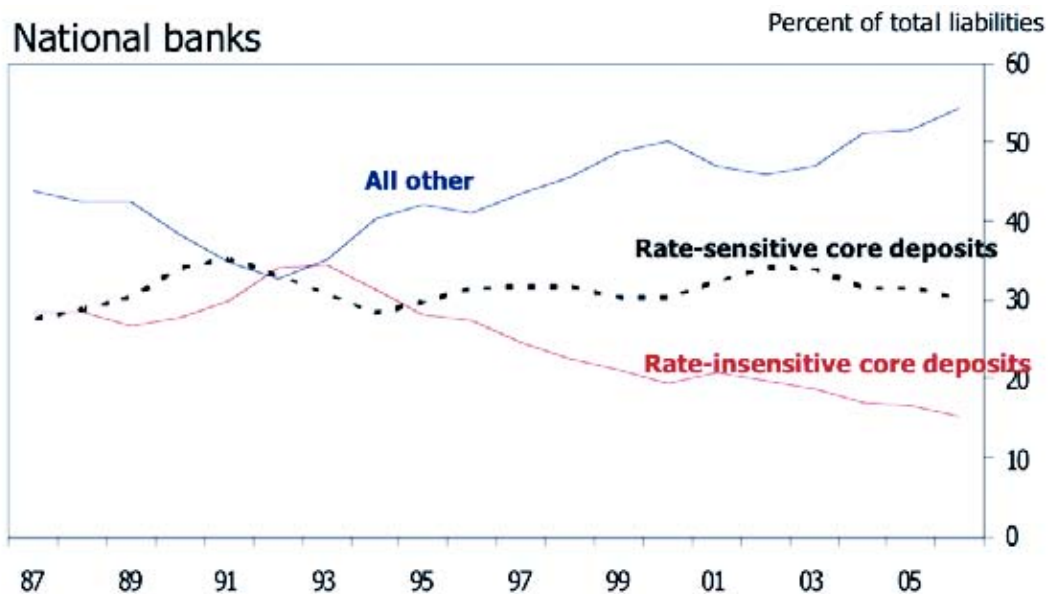


Source: Integrated Banking Information System (OCC), Federal Reserve Board/Haver Analytics
Quarterly data through 2006Q2.

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

Figure 4—Bank funding becoming more expensive, less stable



Source: Integrated Banking Information System (OCC)

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

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

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

Glossary

Data Sources

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

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

Computation Methodology

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

Definitions

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

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

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

IBIS—the OCC's Integrated Banking Information System.

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

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

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

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

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

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

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

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

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

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

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

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

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

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

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

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

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

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

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

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