



Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury



25th Anniversary

Quarterly Journal

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Office of the Comptroller of the Currency
Administrator of National Banks

John C. Dugan
Comptroller of the Currency

Volume 25, Number 4

December 2006
(Third quarter data)

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1064, Letter concludes that a national bank may hedge the risks arising from bank permissible, customer-driven derivative transactions using below-investment grade bonds, and that when the bank acquires such bonds for this purpose, it is subject to the standards applicable to derivative hedges and not the limitations of 12 CFR Part 1 applicable to investment securities. (7/13/2006)

1065, Letter concludes that it is legally permissible for national banks to engage in customer-driven, perfectly matched, cash-settled derivative transactions with payments based on 11 categories of reference assets related indices. (7/24/2006)

1066, Letter permits bank to use, pursuant to the OCC’s reservation of authority, an alternative calculation based on the bank’s value-at-risk model (VAR approach) to determine the risk-based capital charge for certain securities lending transactions. Under the VAR approach, the risk-based capital charge would be based on a measure of economic exposure that takes into account the market value of collateral received and security lent, as well as the market price volatilities of both the securities lent by the bank and received as collateral. (11/8/2005)

1067, Letter clarifies that “service costs” paid on an innovative capital instrument by an operating subsidiary to third-party investors constitutes a dividend for the purposes of 12 USC 60. However, to avoid double counting of the service costs, the bank may adjust its net income for distributions on innovative capital instruments that are treated as dividends. (2/28/2006)

1068, Letter concludes that laws recently enacted in some states that prohibit or restrict branching by out-of-state industrial loan companies into the enacting state undercut those states’ laws permitting interstate de novo branching by banks generally. The result is that under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, federal regulators cannot approve the establishment of de novo branches in such states by any out of state bank. (7/28/2006)

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ABOUT THE OCC

About the Office of the Comptroller of the Currency

December 2006

Comptroller _____ John C. Dugan

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Background

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

The OCC regulates national banks by its power to:

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

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

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



The Comptroller

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

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

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

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(revised July 2005)

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25th Anniversary

CONDITION AND PERFORMANCE
OF COMMERCIAL BANKS

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Third quarter 2006

Earnings continued to grow at national banks in the third quarter of 2006. Return on equity, at 16.2 percent, remained near its historical peak, adjusted for the effects of recent mergers (unadjusted ROE was 13.6 percent). Net income continued its recent run, up 10.9 percent from the third quarter of 2006. Net interest income contributed to earnings gains, as the volume of mortgage loans increased again, despite cooling in the housing sector. Credit quality remained good, with most credit indicators near their all-time best.

Several indicators, however, suggest that this performance will be difficult to maintain. Slower housing sales are likely to further erode growth in mortgage loan volume. With net interest margins near all-time lows, this means that banks will be challenged to maintain growth in net interest income. Credit quality is probably near its peak; as problems begin to appear, banks are likely to increase provisions, cutting into earnings.

As Table 1 shows, for national banks in the aggregate, gains in net interest income made a significant contribution to gains in total net income growth in the third quarter. This occurred despite continuing pressures on net interest margins (NIMs), as loans on the books continued to grow. On the other hand, growth in noninterest income slowed considerably from the very fast pace of the previous year. Provisions for bad loans declined, contributing substantially to growth in net income, though this year-over-year comparison is skewed because of the extraordinary level of provisions taken in late 2005, after two hurricanes, and other shocks to the economy.

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Table 1—Third quarter earnings growth supported by lower provisioning

| | Major income components (change, \$ millions) | | | | Nonspecialty banks under \$1 billion 05Q3-06Q3 % Change |
|-----------------------|--|-------------|----------------------|--------------|--|
| | 2004Q3-05Q3 % Change | | 2005Q3-06Q3 % Change | | |
| Revenues | | | | | |
| Net interest income | 585 | 1.4% | 2,260 | 5.2% | 6.5% |
| Real gains/losses sec | -1,066 | n.m. | -452 | n.m. | n.m. |
| Noninterest income | 7,312 | 23.3% | 1,896 | 4.9% | 0.3% |
| Expenses | | | | | |
| Provisioning | 1,346 | 27.7% | -1,662 | -26.8% | -8.5% |
| Noninterest expense | 2,875 | 6.5% | 2,647 | 5.6% | 5.8% |
| Net income | 1,304 | 7.2% | 2,103 | 10.9% | 5.1% |

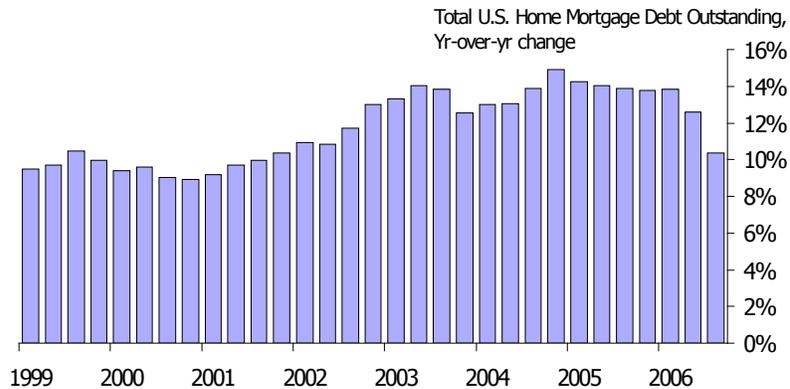
Source: Integrated Banking Information System (OCC)

Date are merger adjusted and held constant for banks operating as of September 30, 2006. Nonspecialty category excludes trust and credit card banks.

At smaller nonspecialty banks (banks with under \$1 billion in assets, without significant trust or credit card business), net interest income continued its pattern of steady growth, as has been the case at larger banks. But noninterest income barely grew year-over-year, and provisions did not drop as dramatically as at larger banks. The result was that net income continued to grow at smaller banks, though not as fast as at their larger counterparts.

As the housing market cools, mortgage loan growth is being affected. Figure 1 shows growth in household mortgages outstanding, counting both loans both on the books at banks, and in securitized mortgage pools. Over the last three quarters, loan growth has clearly decelerated, and now stands at about the level that prevailed before the recent housing boom. Even taking this deceleration into account however, mortgage loan growth remains high by historical standards. This ongoing growth in loan volume has more than offset continuing pressure on net interest margins.

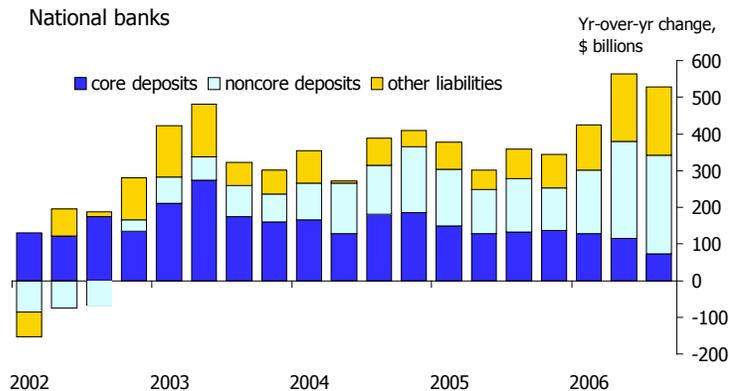
Figure 1—Slower home sales evident in deceleration in residential credit growth



Source: Federal Reserve Flow of Funds (Haver Analytics)
 Quarterly data through 2006Q3. Data include all outstanding residential mortgages held as loans, lines, and in securitized mortgage pools.

Bank funding has shifted over the last several years. As Figure 2 shows, core deposits have accounted for a shrinking share of the growth in bank funding since early 2003. In 2003, short-term interest rates hit 40-year lows of around 1 percent, and depositors found they had few good alternatives to leaving their liquid assets in the bank. Rock-bottom interest rates led to a sharp upswing in core deposits that slowed only when interest rates began to move back toward normal levels in 2004. Higher rates gave depositors alternatives for their liquid assets, and put the squeeze on growth in core deposits. Even as the core deposit inflow decelerated, banks continued to make new loans. With the loan book now growing faster than core deposits, banks have to turn to costlier sources of funds.

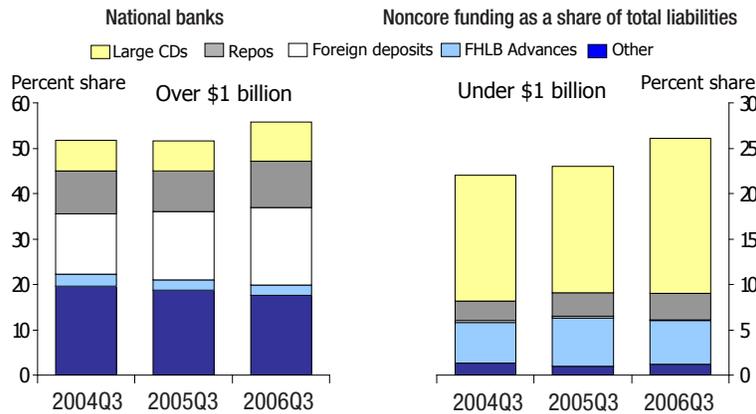
Figure 2—More pronounced slowdown in core deposit growth increases reliance on costlier funds



Source: Integrated Banking Information System (OCC)
 Data are merger adjusted and held constant for banks operating as of September 30, 2006.

For noncore funding, the mix has also changed in recent years. Figure 3 shows noncore funding as a percent of total liabilities over the last three years. The three bars on the left show the situation for larger banks, and on the right, for smaller banks. As short-term interest rates have risen over the last three years, larger banks have relied increasingly on large certificates of deposit (CDs) and foreign deposits.

Figure 3—Large certificates of deposit increasingly favored in noncore funding mix, especially at small banks

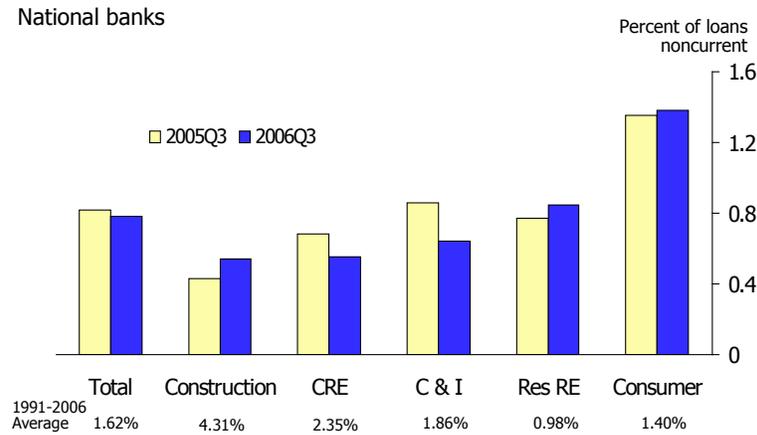


Source: Integrated Banking Information System (OCC)
 Data are merger adjusted and held constant for banks operating as of September 30, 2006. Nonspecialty category excludes trust and credit card banks. FHLB advances are term borrowings from the Federal Home Loan Banks.

Over the same time, smaller banks have also increased their reliance on large CDs. Noncore funding has also edged up as a share of total liabilities, as shown in Figure 3. These noncore sources are more sensitive to swings in interest rates than checking or small savings deposits, which means that smaller banks are facing funding cost pressures as rates increase.

Credit quality remains good. As Figure 4 shows, noncurrent loan ratios remain below their 15-year averages for every major loan category except consumer loans. In the third quarter, the non-current ratio edged up for construction and residential real estate loans, measured year-over-year, but nonetheless remained well below its 15-year average for every loan category except consumer loans.

Figure 4—Despite modest uptick in some categories, noncurrent loan rates remain low



Source: Integrated Banking Information System (OCC)
 Noncurrent loans as a percent of loans in respective category.

In the third quarter of 2006, provisions for bad loans declined year-over-year. But this comparison is misleading, because in the third quarter of 2005 the financial system was bracing for the after-shocks from two major hurricanes, a big upswing in oil prices—which many expected to bring economic growth to a halt—and the passage of bankruptcy reform legislation, which was expected to depress credit quality. The economy, however, continued to grow at close to its potential for several quarters, and no major credit problems emerged. This allowed banks to pare back provisioning expenses, boosting year-over-year net earnings in the third quarter. This boost to earnings is not expected to continue in 2007 as aggregate credit quality begins to deteriorate.

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | 2002 | 2003 | 2004 | 2005 | Preliminary 2006YTD | 2005Q3 | Preliminary 2006Q3 |
|---|------------|------------|------------|------------|------------------------|------------|-----------------------|
| Number of institutions reporting | 2,077 | 1,999 | 1,907 | 1,818 | 1,758 | 1,846 | 1,758 |
| Total employees (FTEs) | 993,469 | 1,000,493 | 1,143,384 | 1,172,300 | 1,207,635 | 1,170,598 | 1,207,635 |
| Selected income data (\$) | | | | | | | |
| Net income | \$56,210 | \$63,116 | \$67,434 | \$73,822 | \$64,112 | \$19,347 | \$21,482 |
| Net interest income | 141,154 | 143,073 | 159,641 | 169,618 | 134,488 | 43,058 | 45,501 |
| Provision for loan losses | 32,595 | 23,989 | 18,639 | 19,755 | 12,638 | 6,419 | 4,556 |
| Noninterest income | 109,272 | 116,422 | 127,063 | 145,194 | 122,490 | 39,131 | 40,672 |
| Noninterest expense | 136,795 | 144,947 | 170,829 | 185,908 | 148,245 | 47,041 | 49,653 |
| Net operating income | 54,067 | 60,746 | 65,420 | 73,613 | 64,442 | 19,250 | 21,631 |
| Cash dividends declared | 41,757 | 45,049 | 33,033 | 41,663 | 32,034 | 13,336 | 11,713 |
| Net charge-offs | 31,360 | 26,956 | 21,904 | 22,137 | 12,725 | 6,200 | 4,810 |
| Selected condition data (\$) | | | | | | | |
| Total assets | 3,908,206 | 4,292,261 | 5,602,021 | 6,003,182 | 6,567,704 | 5,946,325 | 6,567,704 |
| Total loans and leases | 2,445,236 | 2,630,410 | 3,166,714 | 3,427,014 | 3,659,185 | 3,375,618 | 3,659,185 |
| Reserve for losses | 48,326 | 48,611 | 48,964 | 44,188 | 43,724 | 46,647 | 43,724 |
| Securities | 653,608 | 753,615 | 908,054 | 924,206 | 988,174 | 937,653 | 988,174 |
| Other real estate owned | 2,075 | 1,941 | 1,529 | 1,575 | 2,419 | 1,626 | 2,419 |
| Noncurrent loans and leases | 38,162 | 34,873 | 29,609 | 28,333 | 28,593 | 27,624 | 28,593 |
| Total deposits | 2,565,768 | 2,786,716 | 3,581,430 | 3,850,057 | 4,105,751 | 3,760,492 | 4,105,751 |
| Domestic deposits | 2,168,874 | 2,322,011 | 2,848,730 | 3,085,596 | 3,174,352 | 3,012,886 | 3,174,352 |
| Equity capital | 371,387 | 390,519 | 557,821 | 592,736 | 659,976 | 585,605 | 659,976 |
| Off-balance-sheet derivatives | 25,953,772 | 31,554,693 | 86,314,368 | 99,600,068 | 124,116,807 | 96,963,460 | 124,116,807 |
| Performance ratios (annualized %) | | | | | | | |
| Return on equity | 15.72 | 16.50 | 13.81 | 13.22 | 13.56 | 13.24 | 13.23 |
| Return on assets | 1.49 | 1.53 | 1.27 | 1.29 | 1.35 | 1.32 | 1.32 |
| Net interest income to assets | 3.75 | 3.47 | 3.00 | 2.96 | 2.84 | 2.93 | 2.79 |
| Loss provision to assets | 0.87 | 0.58 | 0.35 | 0.35 | 0.27 | 0.44 | 0.28 |
| Net operating income to assets | 1.44 | 1.47 | 1.23 | 1.29 | 1.36 | 1.31 | 1.33 |
| Noninterest income to assets | 2.90 | 2.82 | 2.39 | 2.54 | 2.58 | 2.66 | 2.50 |
| Noninterest expense to assets | 3.63 | 3.51 | 3.22 | 3.25 | 3.13 | 3.20 | 3.05 |
| Loss provision to loans and leases | 1.38 | 0.95 | 0.62 | 0.61 | 0.47 | 0.77 | 0.50 |
| Net charge-offs to loans and leases | 1.33 | 1.07 | 0.73 | 0.68 | 0.48 | 0.74 | 0.53 |
| Loss provision to net charge-offs | 103.94 | 89.00 | 85.09 | 89.24 | 99.31 | 103.52 | 94.71 |
| Performance ratios (%) | | | | | | | |
| Percent of institutions unprofitable | 6.93 | 5.60 | 5.30 | 5.01 | 4.44 | 5.63 | 5.29 |
| Percent of institutions with earnings gains | 71.11 | 55.98 | 62.72 | 65.29 | 60.07 | 61.97 | 58.48 |
| Nonint. income to net operating revenue | 43.63 | 44.86 | 44.32 | 46.12 | 47.67 | 47.61 | 47.20 |
| Nonint. expense to net operating revenue | 54.62 | 55.86 | 59.58 | 59.05 | 57.69 | 57.24 | 57.62 |
| Condition ratios (%) | | | | | | | |
| Nonperforming assets to assets | 1.06 | 0.89 | 0.57 | 0.50 | 0.47 | 0.50 | 0.47 |
| Noncurrent loans to loans | 1.56 | 1.33 | 0.94 | 0.83 | 0.78 | 0.82 | 0.78 |
| Loss reserve to noncurrent loans | 126.63 | 139.40 | 165.37 | 155.96 | 152.92 | 168.86 | 152.92 |
| Loss reserve to loans | 1.98 | 1.85 | 1.55 | 1.29 | 1.19 | 1.38 | 1.19 |
| Equity capital to assets | 9.50 | 9.10 | 9.96 | 9.87 | 10.05 | 9.85 | 10.05 |
| Leverage ratio | 7.88 | 7.71 | 7.30 | 7.31 | 7.34 | 7.35 | 7.34 |
| Risk-based capital ratio | 12.66 | 12.65 | 12.26 | 11.90 | 12.13 | 11.98 | 12.13 |
| Net loans and leases to assets | 61.33 | 60.15 | 55.65 | 56.35 | 55.05 | 55.98 | 55.05 |
| Securities to assets | 16.72 | 17.56 | 16.21 | 15.40 | 15.05 | 15.77 | 15.05 |
| Appreciation in securities (% of par) | 2.10 | 0.88 | 0.55 | -1.06 | -0.15 | -0.55 | -0.15 |
| Residential mortgage assets to assets | 24.72 | 24.44 | 23.51 | 23.60 | 22.96 | 23.66 | 22.96 |
| Total deposits to assets | 65.65 | 64.92 | 63.93 | 64.13 | 62.51 | 63.24 | 62.51 |
| Core deposits to assets | 48.74 | 48.03 | 43.83 | 43.53 | 40.06 | 42.99 | 40.06 |
| Volatile liabilities to assets | 30.31 | 30.57 | 33.90 | 35.75 | 38.50 | 35.68 | 38.50 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | 2002 | 2003 | 2004 | 2005 | Preliminary 2006YTD | 2005Q3 | Preliminary 2006Q3 |
|---|-------------|-------------|-------------|-------------|------------------------|-------------|-----------------------|
| Percent of loans past due 30-89 days | | | | | | | |
| Total loans and leases | 1.14 | 1.02 | 0.87 | 0.92 | 0.90 | 0.87 | 0.90 |
| Loans secured by real estate (RE) | 1.07 | 0.91 | 0.75 | 0.85 | 0.81 | 0.76 | 0.81 |
| 1- to 4-family residential mortgages | 1.45 | 1.30 | 1.05 | 1.15 | 1.11 | 1.01 | 1.11 |
| Home equity loans | 0.61 | 0.45 | 0.39 | 0.56 | 0.61 | 0.46 | 0.61 |
| Multifamily residential mortgages | 0.42 | 0.54 | 0.39 | 0.73 | 0.53 | 0.42 | 0.53 |
| Commercial RE loans | 0.58 | 0.47 | 0.44 | 0.47 | 0.36 | 0.50 | 0.36 |
| Construction RE loans | 0.91 | 0.66 | 0.61 | 0.59 | 0.69 | 0.58 | 0.69 |
| Commercial and industrial loans | 0.76 | 0.63 | 0.56 | 0.70 | 0.53 | 0.59 | 0.53 |
| Loans to individuals | 2.15 | 2.08 | 1.84 | 1.74 | 1.93 | 1.83 | 1.93 |
| Credit cards | 2.57 | 2.48 | 2.21 | 2.07 | 2.33 | 2.31 | 2.33 |
| Installment loans and other plans | 2.07 | 1.95 | 1.67 | 1.64 | 1.83 | 1.60 | 1.83 |
| All other loans and leases | 0.55 | 0.34 | 0.31 | 0.40 | 0.40 | 0.33 | 0.40 |
| Percent of loans noncurrent | | | | | | | |
| Total loans and leases | 1.56 | 1.33 | 0.94 | 0.83 | 0.78 | 0.82 | 0.78 |
| Loans secured by real estate (RE) | 0.97 | 0.95 | 0.69 | 0.80 | 0.77 | 0.74 | 0.77 |
| 1- to 4-family residential mortgages | 1.02 | 1.14 | 0.86 | 1.15 | 1.05 | 0.99 | 1.05 |
| Home equity loans | 0.32 | 0.24 | 0.18 | 0.26 | 0.33 | 0.21 | 0.33 |
| Multifamily residential mortgages | 0.48 | 0.45 | 0.43 | 0.40 | 0.50 | 0.42 | 0.50 |
| Commercial RE loans | 1.05 | 0.97 | 0.72 | 0.61 | 0.55 | 0.68 | 0.55 |
| Construction RE loans | 1.03 | 0.71 | 0.44 | 0.37 | 0.54 | 0.43 | 0.54 |
| Commercial and industrial loans | 3.00 | 2.19 | 1.22 | 0.74 | 0.64 | 0.86 | 0.64 |
| Loans to individuals | 1.60 | 1.78 | 1.66 | 1.37 | 1.38 | 1.35 | 1.38 |
| Credit cards | 2.16 | 2.24 | 2.03 | 1.90 | 2.04 | 1.91 | 2.04 |
| Installment loans and other plans | 1.30 | 1.55 | 1.46 | 1.01 | 1.00 | 0.99 | 1.00 |
| All other loans and leases | 1.11 | 0.74 | 0.39 | 0.28 | 0.21 | 0.29 | 0.21 |
| Percent of loans charged-off, net | | | | | | | |
| Total loans and leases | 1.33 | 1.07 | 0.73 | 0.68 | 0.48 | 0.74 | 0.53 |
| Loans secured by real estate (RE) | 0.19 | 0.21 | 0.08 | 0.06 | 0.07 | 0.06 | 0.08 |
| 1- to 4-family residential mortgages | 0.17 | 0.24 | 0.08 | 0.06 | 0.07 | 0.05 | 0.09 |
| Home equity loans | 0.23 | 0.23 | 0.10 | 0.10 | 0.14 | 0.09 | 0.15 |
| Multifamily residential mortgages | 0.11 | 0.03 | 0.04 | 0.05 | 0.00 | 0.04 | -0.05 |
| Commercial RE loans | 0.17 | 0.13 | 0.05 | 0.04 | 0.02 | 0.05 | 0.02 |
| Construction RE loans | 0.19 | 0.14 | 0.04 | 0.01 | 0.03 | 0.02 | 0.04 |
| Commercial and industrial loans | 1.80 | 1.35 | 0.43 | 0.19 | 0.23 | 0.11 | 0.27 |
| Loans to individuals | 4.01 | 3.45 | 3.14 | 3.20 | 2.25 | 3.57 | 2.51 |
| Credit cards | 6.57 | 5.48 | 5.14 | 4.96 | 3.65 | 4.62 | 4.09 |
| Installment loans and other plans | 1.91 | 1.81 | 1.51 | 1.71 | 1.16 | 2.70 | 1.31 |
| All other loans and leases | 0.83 | 0.58 | 0.15 | 0.29 | 0.09 | 0.38 | 0.10 |
| Loans outstanding (\$) | | | | | | | |
| Total loans and leases | \$2,445,236 | \$2,630,410 | \$3,166,714 | \$3,427,014 | \$3,659,185 | \$3,375,618 | \$3,659,185 |
| Loans secured by real estate (RE) | 1,139,394 | 1,254,951 | 1,572,665 | 1,751,721 | 1,878,769 | 1,725,742 | 1,878,769 |
| 1- to 4-family residential mortgages | 573,802 | 605,070 | 744,686 | 833,953 | 882,991 | 816,509 | 882,991 |
| Home equity loans | 141,056 | 192,703 | 294,919 | 320,145 | 340,455 | 326,747 | 340,455 |
| Multifamily residential mortgages | 33,968 | 35,652 | 39,948 | 43,518 | 42,673 | 44,255 | 42,673 |
| Commercial RE loans | 253,427 | 269,936 | 302,215 | 325,214 | 348,701 | 320,810 | 348,701 |
| Construction RE loans | 95,360 | 104,218 | 129,221 | 167,585 | 195,844 | 157,955 | 195,844 |
| Farmland loans | 13,225 | 13,614 | 14,679 | 15,824 | 16,733 | 15,583 | 16,733 |
| RE loans from foreign offices | 28,556 | 33,758 | 46,998 | 45,482 | 51,371 | 43,883 | 51,371 |
| Commercial and industrial loans | 546,053 | 500,005 | 580,192 | 672,562 | 745,911 | 649,086 | 745,911 |
| Loans to individuals | 450,436 | 527,817 | 615,502 | 607,137 | 618,923 | 610,208 | 618,923 |
| Credit cards | 209,812 | 250,719 | 300,097 | 282,567 | 265,731 | 275,685 | 265,731 |
| Other revolving credit plans | 33,243 | 32,883 | 34,258 | 35,160 | 39,154 | 34,897 | 39,154 |
| Installment loans | 207,381 | 244,215 | 281,147 | 289,409 | 314,038 | 299,626 | 314,038 |
| All other loans and leases | 311,803 | 349,521 | 400,578 | 397,500 | 416,647 | 392,513 | 416,647 |
| Less: Unearned income | 2,449 | 1,884 | 2,224 | 1,906 | 1,065 | 1,930 | 1,065 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | Less than \$100M | | \$100M to \$1B | | \$1B to \$10B | | Greater than \$10B | |
|---|------------------|--------|----------------|---------|---------------|---------|--------------------|-------------|
| | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 |
| Number of institutions reporting | 711 | 653 | 961 | 931 | 127 | 129 | 47 | 45 |
| Total employees (FTEs) | 16,011 | 14,862 | 88,655 | 85,995 | 83,768 | 82,929 | 982,164 | 1,023,849 |
| Selected income data (\$) | | | | | | | | |
| Net income | \$110 | \$112 | \$891 | \$865 | \$1,291 | \$1,447 | \$17,055 | \$19,059 |
| Net interest income | 390 | 367 | 2,534 | 2,519 | 3,005 | 3,095 | 37,129 | 39,521 |
| Provision for loan losses | 16 | 15 | 144 | 121 | 216 | 163 | 6,042 | 4,255 |
| Noninterest income | 144 | 163 | 1,325 | 1,195 | 2,302 | 2,359 | 35,360 | 36,954 |
| Noninterest expense | 375 | 387 | 2,502 | 2,429 | 3,180 | 3,159 | 40,983 | 43,678 |
| Net operating income | 111 | 113 | 891 | 862 | 1,282 | 1,451 | 16,967 | 19,205 |
| Cash dividends declared | 58 | 47 | 535 | 464 | 1,168 | 1,339 | 11,575 | 9,863 |
| Net charge-offs | 10 | 9 | 92 | 73 | 175 | 132 | 5,923 | 4,596 |
| Selected condition data (\$) | | | | | | | | |
| Total assets | 39,794 | 37,177 | 269,466 | 267,554 | 354,559 | 371,217 | 5,282,507 | 5,891,756 |
| Total loans and leases | 23,724 | 22,227 | 174,240 | 176,213 | 225,573 | 236,349 | 2,952,081 | 3,224,396 |
| Reserve for losses | 335 | 308 | 2,228 | 2,199 | 2,789 | 2,865 | 41,294 | 38,353 |
| Securities | 10,665 | 9,703 | 61,146 | 59,483 | 72,851 | 70,161 | 792,991 | 848,827 |
| Other real estate owned | 53 | 43 | 235 | 252 | 123 | 154 | 1,215 | 1,970 |
| Noncurrent loans and leases | 250 | 219 | 1,247 | 1,267 | 1,357 | 1,419 | 24,770 | 25,687 |
| Total deposits | 33,051 | 30,605 | 217,523 | 215,956 | 244,150 | 258,592 | 3,265,769 | 3,600,599 |
| Domestic deposits | 33,036 | 30,591 | 217,275 | 215,742 | 241,107 | 255,585 | 2,521,467 | 2,672,434 |
| Equity capital | 4,643 | 4,660 | 28,264 | 28,679 | 38,118 | 41,113 | 514,580 | 585,525 |
| Off-balance-sheet derivatives | 21 | 24 | 4,164 | 3,545 | 17,439 | 21,047 | 97,689,795 | 124,959,080 |
| Performance ratios (annualized %) | | | | | | | | |
| Return on equity | 9.49 | 9.87 | 12.72 | 12.34 | 13.58 | 14.30 | 13.27 | 13.22 |
| Return on assets | 1.12 | 1.22 | 1.34 | 1.31 | 1.48 | 1.56 | 1.30 | 1.31 |
| Net interest income to assets | 3.95 | 3.99 | 3.81 | 3.80 | 3.45 | 3.34 | 2.84 | 2.71 |
| Loss provision to assets | 0.16 | 0.17 | 0.22 | 0.18 | 0.25 | 0.18 | 0.46 | 0.29 |
| Net operating income to assets | 1.12 | 1.23 | 1.34 | 1.30 | 1.47 | 1.57 | 1.30 | 1.32 |
| Noninterest income to assets | 1.46 | 1.77 | 1.99 | 1.80 | 2.64 | 2.55 | 2.70 | 2.53 |
| Noninterest expense to assets | 3.80 | 4.20 | 3.76 | 3.67 | 3.65 | 3.41 | 3.14 | 2.99 |
| Loss provision to loans and leases | 0.28 | 0.28 | 0.34 | 0.28 | 0.39 | 0.28 | 0.83 | 0.53 |
| Net charge-offs to loans and leases | 0.18 | 0.16 | 0.21 | 0.17 | 0.31 | 0.23 | 0.81 | 0.57 |
| Loss provision to net charge-offs | 157.62 | 171.43 | 156.86 | 166.46 | 123.76 | 123.96 | 102.00 | 92.58 |
| Performance ratios (%) | | | | | | | | |
| Percent of institutions unprofitable | 9.56 | 9.65 | 3.23 | 3.01 | 2.36 | 1.55 | 4.26 | 0.00 |
| Percent of institutions with earnings gains | 57.10 | 54.06 | 63.79 | 60.47 | 74.02 | 64.34 | 65.96 | 64.44 |
| Nonint. income to net operating revenue | 27.03 | 30.76 | 34.33 | 32.18 | 43.37 | 43.25 | 48.78 | 48.32 |
| Nonint. expense to net operating revenue | 70.20 | 73.00 | 64.85 | 65.40 | 59.93 | 57.92 | 56.54 | 57.11 |
| Condition ratios (%) | | | | | | | | |
| Nonperforming assets to assets | 0.76 | 0.71 | 0.55 | 0.57 | 0.42 | 0.43 | 0.50 | 0.47 |
| Noncurrent loans to loans | 1.05 | 0.99 | 0.72 | 0.72 | 0.60 | 0.60 | 0.84 | 0.80 |
| Loss reserve to noncurrent loans | 133.88 | 140.37 | 178.70 | 173.51 | 205.52 | 201.83 | 166.71 | 149.31 |
| Loss reserve to loans | 1.41 | 1.38 | 1.28 | 1.25 | 1.24 | 1.21 | 1.40 | 1.19 |
| Equity capital to assets | 11.67 | 12.53 | 10.49 | 10.72 | 10.75 | 11.08 | 9.74 | 9.94 |
| Leverage ratio | 11.69 | 12.60 | 9.65 | 9.89 | 8.99 | 8.71 | 7.09 | 7.10 |
| Risk-based capital ratio | 19.12 | 20.22 | 14.67 | 14.69 | 13.34 | 12.89 | 11.73 | 11.93 |
| Net loans and leases to assets | 58.78 | 58.96 | 63.83 | 65.04 | 62.83 | 62.90 | 55.10 | 54.08 |
| Securities to assets | 26.80 | 26.10 | 22.69 | 22.23 | 20.55 | 18.90 | 15.01 | 14.41 |
| Appreciation in securities (% of par) | -0.89 | -1.23 | -0.67 | -1.04 | -0.71 | -0.97 | -0.52 | -0.01 |
| Residential mortgage assets to assets | 20.61 | 19.43 | 21.84 | 21.72 | 24.35 | 20.30 | 23.73 | 23.20 |
| Total deposits to assets | 83.05 | 82.32 | 80.72 | 80.71 | 68.86 | 69.66 | 61.82 | 61.11 |
| Core deposits to assets | 70.11 | 68.20 | 66.33 | 64.79 | 56.29 | 54.71 | 40.71 | 37.84 |
| Volatile liabilities to assets | 15.73 | 16.66 | 18.99 | 20.29 | 26.56 | 28.27 | 37.30 | 40.11 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | Less than \$100M | | \$100M to \$1B | | \$1B to \$10B | | Greater than \$10B | |
|---|------------------|----------|----------------|-----------|---------------|-----------|--------------------|-------------|
| | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 |
| Percent of loans past due 30-89 days | | | | | | | | |
| Total loans and leases | 1.24 | 1.24 | 0.82 | 0.89 | 0.76 | 0.71 | 0.88 | 0.91 |
| Loans secured by real estate (RE) | 1.14 | 1.18 | 0.72 | 0.83 | 0.52 | 0.53 | 0.78 | 0.84 |
| 1- to 4-family residential mortgages | 1.62 | 1.56 | 1.05 | 1.15 | 0.66 | 0.60 | 1.03 | 1.13 |
| Home equity loans | 0.48 | 0.80 | 0.38 | 0.65 | 0.29 | 0.45 | 0.47 | 0.62 |
| Multifamily residential mortgages | 0.85 | 1.34 | 0.42 | 0.59 | 0.32 | 0.79 | 0.44 | 0.45 |
| Commercial RE loans | 0.89 | 0.94 | 0.53 | 0.64 | 0.50 | 0.41 | 0.48 | 0.29 |
| Construction RE loans | 0.88 | 1.23 | 0.78 | 0.89 | 0.46 | 0.63 | 0.57 | 0.66 |
| Commercial and industrial loans | 1.40 | 1.37 | 1.02 | 0.96 | 1.40 | 1.11 | 0.50 | 0.47 |
| Loans to individuals | 2.28 | 2.25 | 1.60 | 1.62 | 1.11 | 1.27 | 1.86 | 1.95 |
| Credit cards | 1.91 | 2.76 | 2.88 | 2.79 | 1.85 | 1.83 | 2.31 | 2.33 |
| Installment loans and other plans | 2.34 | 2.27 | 1.48 | 1.50 | 1.02 | 1.19 | 1.63 | 1.87 |
| All other loans and leases | 0.63 | 0.53 | 0.52 | 0.45 | 0.54 | 0.39 | 0.32 | 0.40 |
| Percent of loans noncurrent | | | | | | | | |
| Total loans and leases | 1.05 | 0.99 | 0.72 | 0.72 | 0.60 | 0.60 | 0.84 | 0.80 |
| Loans secured by real estate (RE) | 0.95 | 0.93 | 0.68 | 0.70 | 0.54 | 0.57 | 0.76 | 0.79 |
| 1- to 4-family residential mortgages | 0.92 | 0.93 | 0.69 | 0.70 | 0.55 | 0.48 | 1.04 | 1.10 |
| Home equity loans | 0.30 | 0.23 | 0.18 | 0.29 | 0.18 | 0.30 | 0.21 | 0.33 |
| Multifamily residential mortgages | 1.00 | 0.48 | 0.49 | 0.53 | 0.24 | 0.72 | 0.44 | 0.44 |
| Commercial RE loans | 1.17 | 1.14 | 0.75 | 0.74 | 0.75 | 0.68 | 0.63 | 0.47 |
| Construction RE loans | 0.58 | 0.77 | 0.63 | 0.78 | 0.36 | 0.57 | 0.41 | 0.49 |
| Commercial and industrial loans | 1.68 | 1.56 | 1.00 | 0.94 | 0.87 | 0.79 | 0.85 | 0.61 |
| Loans to individuals | 0.83 | 0.71 | 0.58 | 0.57 | 0.50 | 0.54 | 1.40 | 1.43 |
| Credit cards | 1.15 | 0.63 | 1.73 | 1.72 | 1.37 | 1.52 | 1.92 | 2.05 |
| Installment loans and other plans | 0.84 | 0.72 | 0.45 | 0.42 | 0.35 | 0.31 | 1.06 | 1.06 |
| All other loans and leases | 0.97 | 0.77 | 0.56 | 0.48 | 0.47 | 0.28 | 0.27 | 0.20 |
| Percent of loans charged-off, net | | | | | | | | |
| Total loans and leases | 0.18 | 0.16 | 0.21 | 0.17 | 0.31 | 0.23 | 0.81 | 0.57 |
| Loans secured by real estate (RE) | 0.05 | 0.05 | 0.05 | 0.04 | 0.08 | 0.05 | 0.06 | 0.09 |
| 1- to 4-family residential mortgages | 0.05 | 0.04 | 0.06 | 0.05 | 0.09 | 0.06 | 0.05 | 0.09 |
| Home equity loans | 0.04 | 0.10 | 0.02 | 0.02 | 0.09 | 0.08 | 0.09 | 0.15 |
| Multifamily residential mortgages | 0.16 | -0.42 | 0.16 | 0.02 | 0.12 | 0.10 | 0.00 | -0.10 |
| Commercial RE loans | 0.07 | 0.10 | 0.04 | 0.04 | 0.10 | 0.03 | 0.04 | 0.01 |
| Construction RE loans | 0.05 | 0.08 | 0.04 | 0.02 | 0.03 | 0.04 | 0.01 | 0.05 |
| Commercial and industrial loans | 0.51 | 0.40 | 0.34 | 0.26 | 0.64 | 0.47 | 0.06 | 0.26 |
| Loans to individuals | 0.58 | 0.56 | 1.24 | 1.24 | 1.13 | 0.94 | 3.73 | 2.60 |
| Credit cards | 1.91 | 1.41 | 5.88 | 6.39 | 2.59 | 2.57 | 4.64 | 4.09 |
| Installment loans and other plans | 0.55 | 0.53 | 0.62 | 0.50 | 0.85 | 0.54 | 2.90 | 1.39 |
| All other loans and leases | 0.02 | 0.10 | 0.48 | 0.21 | 0.56 | 0.39 | 0.38 | 0.09 |
| Loans outstanding (\$) | | | | | | | | |
| Total loans and leases | \$23,724 | \$22,227 | \$174,240 | \$176,213 | \$225,573 | \$236,349 | \$2,952,081 | \$3,224,396 |
| Loans secured by real estate (RE) | 14,761 | 13,914 | 124,103 | 127,095 | 148,222 | 155,888 | 1,438,657 | 1,581,871 |
| 1- to 4-family residential mortgages | 5,913 | 5,313 | 38,624 | 38,162 | 48,321 | 41,758 | 723,650 | 797,758 |
| Home equity loans | 471 | 457 | 6,929 | 6,549 | 11,836 | 9,915 | 307,510 | 323,534 |
| Multifamily residential mortgages | 356 | 287 | 4,105 | 4,105 | 7,265 | 8,237 | 32,530 | 30,044 |
| Commercial RE loans | 4,626 | 4,441 | 48,908 | 49,486 | 49,472 | 53,916 | 217,803 | 240,858 |
| Construction RE loans | 1,538 | 1,605 | 19,379 | 22,364 | 27,826 | 37,379 | 109,212 | 134,497 |
| Farmland loans | 1,856 | 1,812 | 6,155 | 6,428 | 2,612 | 2,988 | 4,959 | 5,505 |
| RE loans from foreign offices | 0 | 0 | 2 | 1 | 890 | 1,694 | 42,992 | 49,675 |
| Commercial and industrial loans | 3,688 | 3,474 | 26,845 | 26,710 | 47,003 | 49,535 | 571,549 | 666,193 |
| Loans to individuals | 2,471 | 2,146 | 13,951 | 12,959 | 21,027 | 19,810 | 572,759 | 584,008 |
| Credit cards | 58 | 69 | 1,624 | 1,658 | 3,424 | 4,015 | 270,578 | 259,989 |
| Other revolving credit plans | 54 | 35 | 414 | 408 | 1,058 | 763 | 33,371 | 37,948 |
| Installment loans | 2,359 | 2,042 | 11,913 | 10,893 | 16,544 | 15,032 | 268,810 | 286,071 |
| All other loans and leases | 2,823 | 2,710 | 9,503 | 9,601 | 9,461 | 11,273 | 370,725 | 393,064 |
| Less: Unearned income | 19 | 17 | 162 | 152 | 140 | 157 | 1,609 | 740 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | 2002 | 2003 | 2004 | 2005 | Preliminary 2006YTD | 2005Q3 | Preliminary 2006Q3 |
|--|-------------|-------------|-------------|-------------|------------------------|-------------|-----------------------|
| Number of institutions reporting | 2,077 | 1,999 | 1,907 | 1,818 | 1,758 | 1,846 | 1,758 |
| Unused commitments | \$3,889,135 | \$3,991,445 | \$4,453,084 | \$4,829,955 | \$5,275,208 | \$4,694,183 | \$5,275,208 |
| Home equity lines | 172,847 | 216,968 | 293,398 | 363,935 | 406,494 | 350,237 | 406,494 |
| Credit card lines | 2,645,382 | 2,739,921 | 2,821,263 | 2,947,829 | 3,206,069 | 2,874,489 | 3,206,069 |
| Commercial RE, construction and land | 83,422 | 92,106 | 129,764 | 173,111 | 185,515 | 164,000 | 185,515 |
| All other unused commitments | 987,484 | 942,451 | 1,208,660 | 1,345,079 | 1,477,131 | 1,305,457 | 1,477,131 |
| Letters of Credit: | | | | | | | |
| Standby letters of credit | 162,127 | 178,128 | 259,179 | 278,573 | 318,040 | 266,848 | 318,040 |
| Financial letters of credit | 134,861 | 147,060 | 218,547 | 233,409 | 268,966 | 223,440 | 268,966 |
| Performance letters of credit | 27,266 | 31,069 | 40,631 | 45,164 | 49,073 | 43,407 | 49,073 |
| Commercial letters of credit | 15,298 | 15,286 | 24,270 | 24,026 | 25,497 | 25,216 | 25,497 |
| Securities lent | 123,912 | 177,478 | 457,946 | 535,264 | 661,248 | 532,026 | 661,248 |
| Spot foreign exchange contracts | 147,685 | 222,054 | 400,545 | 407,358 | 866,890 | 747,959 | 866,890 |
| Credit derivatives (notional value) | | | | | | | |
| Reporting bank is the guarantor | 110,910 | 178,245 | 1,125,687 | 2,679,692 | 3,952,652 | 2,368,089 | 3,952,652 |
| Reporting bank is the beneficiary | 145,087 | 202,908 | 1,209,280 | 3,125,115 | 3,926,386 | 2,710,758 | 3,926,386 |
| Derivative contracts (notional value) | 25,953,772 | 31,554,693 | 86,314,368 | 99,600,068 | 124,116,807 | 96,963,460 | 124,116,807 |
| Futures and forward contracts | 6,464,816 | 5,909,650 | 10,812,285 | 11,388,668 | 13,676,731 | 11,254,597 | 13,676,731 |
| Interest rate contracts | 4,194,362 | 3,590,804 | 6,434,040 | 6,934,657 | 8,244,576 | 6,902,613 | 8,244,576 |
| Foreign exchange contracts | 2,211,652 | 2,302,176 | 4,250,770 | 4,291,077 | 5,109,525 | 4,174,470 | 5,109,525 |
| All other futures and forwards | 58,802 | 16,671 | 127,475 | 162,935 | 322,630 | 177,513 | 322,630 |
| Option contracts | 5,312,873 | 6,756,117 | 17,364,333 | 18,354,504 | 25,731,314 | 19,159,325 | 25,731,314 |
| Interest rate contracts | 4,617,502 | 5,879,588 | 14,603,770 | 14,711,524 | 19,657,493 | 15,728,391 | 19,657,493 |
| Foreign exchange contracts | 536,303 | 726,617 | 1,708,926 | 2,325,694 | 3,170,312 | 2,047,743 | 3,170,312 |
| All other options | 159,068 | 149,912 | 1,051,637 | 1,317,286 | 2,903,510 | 1,383,191 | 2,903,510 |
| Swaps | 13,920,086 | 18,507,773 | 55,802,783 | 64,052,089 | 76,829,724 | 61,470,690 | 76,829,724 |
| Interest rate contracts | 13,320,120 | 17,647,756 | 53,504,377 | 61,691,179 | 73,998,658 | 59,147,355 | 73,998,658 |
| Foreign exchange contracts | 541,373 | 763,911 | 2,121,180 | 2,066,824 | 2,322,262 | 2,059,813 | 2,322,262 |
| All other swaps | 58,593 | 96,106 | 177,226 | 294,086 | 508,804 | 263,523 | 508,804 |
| Memoranda: Derivatives by purpose | | | | | | | |
| Contracts held for trading | 24,024,510 | 29,177,058 | 81,635,027 | 91,485,205 | 113,537,798 | 89,631,513 | 113,537,798 |
| Contracts not held for trading | 1,673,266 | 1,996,482 | 2,344,373 | 2,310,056 | 2,699,971 | 2,253,099 | 2,699,971 |
| Memoranda: Derivatives by position | | | | | | | |
| Held for trading—positive fair value | 484,368 | 488,557 | 1,291,415 | 1,194,968 | 1,124,492 | 1,319,450 | 1,124,492 |
| Held for trading—negative fair value | 478,681 | 479,255 | 1,267,379 | 1,178,314 | 1,108,020 | 1,297,435 | 1,108,020 |
| Not for trading—positive fair value | 28,569 | 22,168 | 18,222 | 12,551 | 9,600 | 12,859 | 9,600 |
| Not for trading—negative fair value | 20,149 | 18,876 | 15,809 | 12,374 | 8,654 | 12,401 | 8,654 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | Less than \$100M | | \$100M to \$1B | | \$1B to \$10B | | Greater than \$10B | |
|--|------------------|----------|----------------|-----------|---------------|-----------|--------------------|-------------|
| | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 |
| Number of institutions reporting | 711 | 653 | 961 | 931 | 127 | 129 | 47 | 45 |
| Unused commitments | \$56,618 | \$23,792 | \$141,396 | \$189,797 | \$686,011 | \$745,477 | \$3,810,158 | \$4,316,142 |
| Home equity lines | 342 | 357 | 5,805 | 6,190 | 11,810 | 11,579 | 332,280 | 388,368 |
| Credit card lines | 53,126 | 20,377 | 105,250 | 152,603 | 618,917 | 673,276 | 2,097,196 | 2,359,814 |
| Commercial RE, construction and land | 914 | 861 | 11,448 | 11,762 | 22,159 | 25,720 | 129,479 | 147,172 |
| All other unused commitments | 2,236 | 2,198 | 18,893 | 19,243 | 33,125 | 34,903 | 1,251,203 | 1,420,788 |
| Letters of Credit: | | | | | | | | |
| Standby letters of credit | 111 | 110 | 1,878 | 1,762 | 4,854 | 5,313 | 260,005 | 310,855 |
| Financial letters of credit | 64 | 65 | 1,198 | 1,086 | 3,483 | 3,655 | 218,695 | 264,160 |
| Performance letters of credit | 47 | 45 | 679 | 675 | 1,370 | 1,658 | 41,311 | 46,695 |
| Commercial letters of credit | 15 | 23 | 230 | 240 | 604 | 791 | 24,368 | 24,442 |
| Securities lent | 24 | 15 | 20 | 45 | 986 | 1,412 | 530,996 | 659,775 |
| Spot foreign exchange contracts | 0 | 0 | 2 | 2 | 91 | 223 | 747,867 | 866,665 |
| Credit derivatives (notional value) | | | | | | | | |
| Reporting bank is the guarantor | 0 | 0 | 0 | 5 | 0 | 23 | 2,368,089 | 3,952,624 |
| Reporting bank is the beneficiary | 0 | 0 | 40 | 0 | 0 | 38 | 2,710,718 | 3,926,348 |
| Derivative contracts (notional value) | 21 | 24 | 4,161 | 3,543 | 17,349 | 20,824 | 96,941,929 | 124,092,415 |
| Futures and forward contracts | 4 | 5 | 1,307 | 1,058 | 3,780 | 3,035 | 11,249,506 | 13,672,632 |
| Interest rate contracts | 4 | 5 | 1,295 | 1,048 | 2,285 | 1,869 | 6,899,029 | 8,241,653 |
| Foreign exchange contracts | 0 | 0 | 10 | 9 | 1,495 | 1,165 | 4,172,966 | 5,108,351 |
| All other futures and forwards | 0 | 0 | 1 | 1 | 0 | 1 | 177,512 | 322,629 |
| Option contracts | 12 | 15 | 1,506 | 1,256 | 3,039 | 3,771 | 19,154,768 | 25,726,272 |
| Interest rate contracts | 10 | 13 | 1,457 | 1,210 | 2,385 | 2,947 | 15,724,540 | 19,653,322 |
| Foreign exchange contracts | 0 | 0 | 1 | 0 | 642 | 457 | 2,047,099 | 3,169,855 |
| All other options | 2 | 2 | 48 | 46 | 12 | 367 | 1,383,129 | 2,903,094 |
| Swaps | 5 | 4 | 1,309 | 1,224 | 10,529 | 13,957 | 61,458,847 | 76,814,539 |
| Interest rate contracts | 5 | 4 | 1,293 | 1,208 | 10,496 | 13,710 | 59,135,561 | 73,983,736 |
| Foreign exchange contracts | 0 | 0 | 0 | 0 | 0 | 20 | 2,059,813 | 2,322,242 |
| All other swaps | 0 | 0 | 16 | 15 | 33 | 227 | 263,473 | 508,561 |
| Memoranda: Derivatives by purpose | | | | | | | | |
| Contracts held for trading | 0 | 6 | 64 | 28 | 5,291 | 6,926 | 89,626,158 | 113,530,839 |
| Contracts not held for trading | 21 | 19 | 4,057 | 3,511 | 12,058 | 13,837 | 2,236,963 | 2,682,605 |
| Memoranda: Derivatives by position | | | | | | | | |
| Held for trading—positive fair value | 0 | 0 | 1 | 0 | 15 | 43 | 1,319,434 | 1,124,449 |
| Held for trading—negative fair value | 0 | 0 | 1 | 0 | 10 | 39 | 1,297,424 | 1,107,981 |
| Not for trading—positive fair value | 1 | 1 | 16 | 17 | 32 | 58 | 12,810 | 9,523 |
| Not for trading—negative fair value | 0 | 0 | 24 | 23 | 105 | 134 | 12,271 | 8,497 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Key indicators, FDIC-insured national banks by OCC district Third quarter 2006 (Dollar figures in millions)

| | Northeast | Central | Western | Southern | Large-Banks | Mid-Size | All Institutions |
|---|-----------|---------|---------|----------|-------------|----------|------------------|
| Number of institutions reporting | 182 | 461 | 359 | 626 | 57 | 63 | 1,758 |
| Total employees (FTEs) | 27,110 | 35,628 | 28,936 | 55,131 | 985,838 | 74,269 | 1,207,591 |
| Selected income data (\$) | | | | | | | |
| Net income | \$322 | \$406 | \$367 | \$574 | \$18,867 | \$937 | \$21,481 |
| Net interest income | 914 | 1,174 | 1,076 | 1,633 | 38,231 | 2,456 | 45,500 |
| Provision for loan losses | 36 | 63 | 35 | 77 | 4,266 | 79 | 4,556 |
| Noninterest income | 508 | 335 | 300 | 547 | 37,477 | 1,499 | 40,671 |
| Noninterest expense | 927 | 893 | 821 | 1,353 | 43,194 | 2,439 | 49,652 |
| Net operating income | 324 | 410 | 369 | 578 | 18,971 | 972 | 21,631 |
| Cash dividends declared | 154 | 276 | 112 | 235 | 10,250 | 685 | 11,713 |
| Net charge-offs | 20 | 48 | 10 | 42 | 4,618 | 73 | 4,810 |
| Selected condition data (\$) | | | | | | | |
| Total assets | 119,969 | 128,974 | 107,092 | 169,089 | 5,750,666 | 289,255 | 6,567,563 |
| Total loans and leases | 75,320 | 87,405 | 71,794 | 108,900 | 3,127,854 | 186,498 | 3,659,104 |
| Reserve for losses | 836 | 1,117 | 863 | 1,329 | 37,442 | 2,115 | 43,724 |
| Securities | 30,027 | 29,268 | 23,241 | 39,515 | 796,598 | 68,784 | 988,146 |
| Other real estate owned | 32 | 111 | 74 | 167 | 1,912 | 120 | 2,419 |
| Noncurrent loans and leases | 452 | 748 | 467 | 607 | 25,337 | 945 | 28,593 |
| Total deposits | 92,602 | 103,258 | 83,083 | 137,893 | 3,465,818 | 221,195 | 4,105,646 |
| Domestic deposits | 92,067 | 103,229 | 83,065 | 137,017 | 2,538,009 | 219,207 | 3,174,247 |
| Equity capital | 12,399 | 12,960 | 11,248 | 17,213 | 578,956 | 26,844 | 659,942 |
| Off-balance-sheet derivatives | 7,611 | 2,193 | 6,723 | 2,741 | 124,063,261 | 34,237 | 124,116,807 |
| Performance ratios (annualized %) | | | | | | | |
| Return on equity | 10.59 | 12.77 | 13.46 | 13.73 | 13.23 | 14.28 | 13.23 |
| Return on assets | 1.08 | 1.27 | 1.40 | 1.37 | 1.32 | 1.30 | 1.32 |
| Net interest income to assets | 3.08 | 3.67 | 4.09 | 3.91 | 2.68 | 3.41 | 2.79 |
| Loss provision to assets | 0.12 | 0.20 | 0.13 | 0.19 | 0.30 | 0.11 | 0.28 |
| Net operating income to assets | 1.09 | 1.28 | 1.40 | 1.38 | 1.33 | 1.35 | 1.33 |
| Noninterest income to assets | 1.71 | 1.04 | 1.14 | 1.31 | 2.63 | 2.08 | 2.50 |
| Noninterest expense to assets | 3.12 | 2.79 | 3.12 | 3.24 | 3.03 | 3.38 | 3.05 |
| Loss provision to loans and leases | 0.19 | 0.29 | 0.20 | 0.29 | 0.55 | 0.17 | 0.50 |
| Net charge-offs to loans and leases | 0.11 | 0.22 | 0.06 | 0.16 | 0.59 | 0.16 | 0.53 |
| Loss provision to net charge-offs | 179.86 | 129.93 | 350.88 | 185.75 | 92.38 | 108.76 | 94.71 |
| Performance ratios (%) | | | | | | | |
| Percent of institutions unprofitable | 5.52 | 4.99 | 5.57 | 4.31 | 3.51 | 6.35 | 5.29 |
| Percent of institutions with earnings gains | 45.30 | 48.16 | 60.72 | 68.37 | 66.67 | 55.56 | 58.45 |
| Nonint. income to net operating revenue | 35.70 | 22.18 | 21.82 | 25.09 | 49.50 | 37.90 | 47.20 |
| Nonint. expense to net operating revenue | 65.19 | 59.24 | 59.62 | 62.04 | 57.05 | 61.67 | 57.62 |
| Condition ratios (%) | | | | | | | |
| Nonperforming assets to assets | 0.41 | 0.67 | 0.51 | 0.46 | 0.48 | 0.37 | 0.47 |
| Noncurrent loans to loans | 0.60 | 0.86 | 0.65 | 0.56 | 0.81 | 0.51 | 0.78 |
| Loss reserve to noncurrent loans | 184.87 | 149.25 | 184.73 | 218.85 | 147.78 | 223.89 | 152.92 |
| Loss reserve to loans | 1.11 | 1.28 | 1.20 | 1.22 | 1.20 | 1.13 | 1.19 |
| Equity capital to assets | 10.34 | 10.05 | 10.50 | 10.18 | 10.07 | 9.28 | 10.05 |
| Leverage ratio | 8.55 | 9.45 | 9.79 | 9.49 | 7.12 | 7.90 | 7.34 |
| Risk-based capital ratio | 13.38 | 13.65 | 13.80 | 14.01 | 12.00 | 11.97 | 12.13 |
| Net loans and leases to assets | 62.09 | 66.90 | 66.23 | 63.62 | 53.74 | 63.74 | 55.05 |
| Securities to assets | 25.03 | 22.69 | 21.70 | 23.37 | 13.85 | 23.78 | 15.05 |
| Appreciation in securities (% of par) | -1.02 | -0.74 | -0.70 | -1.19 | 0.09 | -1.48 | -0.15 |
| Residential mortgage assets to assets | 31.69 | 21.30 | 20.16 | 20.94 | 22.43 | 32.79 | 22.96 |
| Total deposits to assets | 77.19 | 80.06 | 77.58 | 81.55 | 60.27 | 76.47 | 62.51 |
| Core deposits to assets | 62.70 | 64.05 | 62.51 | 63.69 | 36.73 | 64.07 | 40.06 |
| Volatile liabilities to assets | 20.92 | 22.10 | 22.17 | 22.80 | 40.84 | 21.89 | 38.50 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

Loan performance FDIC-insured national banks by OCC district Third quarter 2006 (Dollar figures in millions)

| | Northeast | Central | Western | Southern | Large-Banks | Mid-Sized | All Institutions |
|---|-----------|----------|----------|-----------|-------------|-----------|------------------|
| Percent of loans past due 30-89 days | | | | | | | |
| Total loans and leases | 0.68 | 0.90 | 0.72 | 0.83 | 0.93 | 0.51 | 0.90 |
| Loans secured by real estate (RE) | 0.57 | 0.84 | 0.63 | 0.74 | 0.86 | 0.45 | 0.81 |
| 1- to 4-family residential mortgages | 0.55 | 1.30 | 0.78 | 1.09 | 1.16 | 0.51 | 1.11 |
| Home equity loans | 0.56 | 0.66 | 0.23 | 0.57 | 0.62 | 0.39 | 0.61 |
| Multifamily residential mortgages | 0.99 | 0.86 | 0.60 | 0.50 | 0.48 | 0.41 | 0.53 |
| Commercial RE loans | 0.51 | 0.68 | 0.47 | 0.59 | 0.30 | 0.28 | 0.36 |
| Construction RE loans | 0.85 | 0.67 | 0.90 | 0.67 | 0.68 | 0.60 | 0.69 |
| Commercial and industrial loans | 1.23 | 1.05 | 0.94 | 0.93 | 0.49 | 0.53 | 0.53 |
| Loans to individuals | 0.78 | 1.53 | 1.55 | 1.60 | 1.97 | 1.10 | 1.93 |
| Credit cards | 1.31 | 7.75 | 1.18 | 1.55 | 2.33 | 1.71 | 2.33 |
| Installment loans and other plans | 0.89 | 1.33 | 1.68 | 1.64 | 1.89 | 1.01 | 1.83 |
| All other loans and leases | 0.38 | 0.44 | 0.54 | 0.48 | 0.40 | 0.45 | 0.40 |
| Percent of loans noncurrent | | | | | | | |
| Total loans and leases | 0.60 | 0.86 | 0.65 | 0.56 | 0.81 | 0.51 | 0.78 |
| Loans secured by real estate (RE) | 0.65 | 0.88 | 0.56 | 0.50 | 0.81 | 0.43 | 0.77 |
| 1- to 4-family residential mortgages | 0.37 | 0.87 | 0.57 | 0.57 | 1.13 | 0.40 | 1.05 |
| Home equity loans | 0.26 | 0.36 | 0.25 | 0.32 | 0.33 | 0.22 | 0.33 |
| Multifamily residential mortgages | 0.53 | 1.09 | 0.22 | 0.68 | 0.41 | 0.58 | 0.50 |
| Commercial RE loans | 0.78 | 1.05 | 0.53 | 0.48 | 0.48 | 0.62 | 0.55 |
| Construction RE loans | 1.73 | 0.83 | 0.66 | 0.48 | 0.51 | 0.30 | 0.54 |
| Commercial and industrial loans | 0.63 | 1.06 | 1.14 | 0.88 | 0.61 | 0.75 | 0.64 |
| Loans to individuals | 0.17 | 0.47 | 0.45 | 0.46 | 1.45 | 0.57 | 1.38 |
| Credit cards | 0.73 | 2.49 | 0.75 | 0.79 | 2.05 | 1.51 | 2.04 |
| Installment loans and other plans | 0.19 | 0.41 | 0.45 | 0.45 | 1.08 | 0.37 | 1.00 |
| All other loans and leases | 0.36 | 0.44 | 0.62 | 0.43 | 0.20 | 0.42 | 0.21 |
| Percent of loans charged-off, net | | | | | | | |
| Total loans and leases | 0.11 | 0.22 | 0.06 | 0.16 | 0.59 | 0.16 | 0.53 |
| Loans secured by real estate (RE) | 0.03 | 0.07 | 0.03 | 0.02 | 0.09 | 0.05 | 0.08 |
| 1- to 4-family residential mortgages | 0.03 | 0.10 | 0.02 | 0.05 | 0.09 | 0.03 | 0.09 |
| Home equity loans | 0.02 | 0.07 | 0.01 | 0.05 | 0.15 | 0.17 | 0.15 |
| Multifamily residential mortgages | 0.01 | -0.01 | 0.08 | 0.03 | -0.10 | 0.09 | -0.05 |
| Commercial RE loans | 0.05 | 0.07 | 0.03 | 0.01 | 0.01 | 0.02 | 0.02 |
| Construction RE loans | 0.03 | 0.06 | 0.02 | 0.01 | 0.05 | 0.06 | 0.04 |
| Commercial and industrial loans | 0.28 | 0.36 | 0.12 | 0.32 | 0.27 | 0.24 | 0.27 |
| Loans to individuals | 0.32 | 1.55 | -0.05 | 0.67 | 2.63 | 0.83 | 2.51 |
| Credit cards | 0.50 | 26.53 | 1.84 | 1.80 | 4.09 | 2.32 | 4.09 |
| Installment loans and other plans | 0.32 | 0.54 | -0.20 | 0.61 | 1.41 | 0.51 | 1.31 |
| All other loans and leases | 0.42 | 0.22 | 0.32 | 0.62 | 0.09 | 0.20 | 0.10 |
| Loans outstanding (\$) | | | | | | | |
| Total loans and leases | \$75,320 | \$87,405 | \$71,794 | \$108,900 | \$3,127,854 | \$186,498 | \$3,659,104 |
| Loans secured by real estate (RE) | 55,302 | 62,570 | 52,182 | 76,585 | 1,506,591 | 124,448 | 1,878,694 |
| 1- to 4-family residential mortgages | 23,457 | 18,676 | 10,818 | 20,748 | 765,226 | 43,621 | 882,945 |
| Home equity loans | 3,791 | 4,271 | 2,867 | 2,855 | 315,538 | 11,096 | 340,455 |
| Multifamily residential mortgages | 2,006 | 3,571 | 1,994 | 2,086 | 27,796 | 5,095 | 42,673 |
| Commercial RE loans | 20,297 | 20,213 | 19,752 | 29,075 | 221,113 | 37,835 | 348,678 |
| Construction RE loans | 5,071 | 10,563 | 13,314 | 18,958 | 122,073 | 25,804 | 195,841 |
| Farmland loans | 679 | 3,584 | 3,437 | 2,862 | 5,171 | 996 | 16,732 |
| RE loans from foreign offices | 0 | 1,694 | 1 | 2 | 49,675 | 0 | 51,371 |
| Commercial and industrial loans | 11,408 | 14,120 | 11,399 | 18,167 | 653,140 | 37,484 | 745,909 |
| Loans to individuals | 6,109 | 5,833 | 3,299 | 9,097 | 579,944 | 14,615 | 618,921 |
| Credit cards | 30 | 229 | 243 | 460 | 262,043 | 2,725 | 265,731 |
| Other revolving credit plans | 784 | 237 | 187 | 202 | 37,208 | 533 | 39,154 |
| Installment loans | 5,295 | 5,367 | 2,869 | 8,435 | 280,693 | 11,357 | 314,036 |
| All other loans and leases | 2,592 | 4,911 | 4,981 | 5,128 | 388,902 | 10,030 | 416,645 |
| Less: Unearned income | 91 | 29 | 66 | 78 | 723 | 78 | 1,065 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | 2002 | 2003 | 2004 | 2005 | Preliminary 2006YTD | 2005Q3 | Preliminary 2006Q3 |
|---|------------|------------|------------|-------------|------------------------|------------|-----------------------|
| Number of institutions reporting | 7,888 | 7,770 | 7,631 | 7,526 | 7,450 | 7,541 | 7,450 |
| Total employees (FTEs) | 1,745,614 | 1,759,517 | 1,815,099 | 1,868,156 | 1,913,297 | 1,856,401 | 1,913,297 |
| Selected income data (\$) | | | | | | | |
| Net income | \$89,444 | \$102,582 | \$104,048 | \$114,022 | \$96,748 | \$29,803 | \$32,468 |
| Net interest income | 236,433 | 239,905 | 250,024 | 269,357 | 214,740 | 68,558 | 72,599 |
| Provision for loan losses | 48,175 | 34,814 | 26,098 | 26,592 | 17,551 | 8,168 | 6,610 |
| Noninterest income | 172,147 | 186,791 | 183,695 | 201,330 | 167,450 | 53,750 | 56,565 |
| Noninterest expense | 233,562 | 245,999 | 257,530 | 276,262 | 220,497 | 69,991 | 74,302 |
| Net operating income | 85,147 | 98,335 | 101,732 | 113,855 | 97,022 | 29,799 | 32,666 |
| Cash dividends declared | 67,536 | 77,838 | 55,637 | 64,266 | 50,032 | 19,158 | 16,744 |
| Net charge-offs | 44,515 | 37,914 | 29,108 | 28,509 | 16,366 | 7,704 | 6,179 |
| Selected condition data (\$) | | | | | | | |
| Total assets | 7,076,765 | 7,601,199 | 8,413,813 | 9,039,369 | 9,765,433 | 8,903,856 | 9,765,433 |
| Total loans and leases | 4,156,114 | 4,428,635 | 4,904,442 | 5,380,046 | 5,735,410 | 5,266,106 | 5,735,410 |
| Reserve for losses | 76,986 | 77,133 | 73,504 | 68,671 | 69,269 | 70,975 | 69,269 |
| Securities | 1,334,732 | 1,456,280 | 1,551,273 | 1,572,270 | 1,632,917 | 1,583,185 | 1,632,917 |
| Other real estate owned | 4,165 | 4,218 | 3,373 | 3,255 | 4,249 | 3,327 | 4,249 |
| Noncurrent loans and leases | 60,546 | 52,946 | 42,082 | 40,292 | 42,318 | 39,651 | 42,318 |
| Total deposits | 4,689,850 | 5,035,057 | 5,593,174 | 6,073,109 | 6,426,483 | 5,917,068 | 6,426,483 |
| Domestic deposits | 4,031,812 | 4,293,886 | 4,727,283 | 5,152,477 | 5,322,921 | 5,014,317 | 5,322,921 |
| Equity capital | 647,398 | 691,924 | 850,304 | 912,433 | 1,012,067 | 899,405 | 1,012,067 |
| Off-balance-sheet derivatives | 56,208,857 | 71,098,970 | 87,867,718 | 101,437,049 | 126,175,652 | 98,753,192 | 126,175,652 |
| Performance ratios (annualized %) | | | | | | | |
| Return on equity | 14.43 | 15.33 | 13.72 | 13.26 | 13.36 | 13.30 | 13.06 |
| Return on assets | 1.32 | 1.40 | 1.30 | 1.33 | 1.37 | 1.35 | 1.34 |
| Net interest income to assets | 3.50 | 3.27 | 3.13 | 3.13 | 3.04 | 3.11 | 3.00 |
| Loss provision to assets | 0.71 | 0.47 | 0.33 | 0.31 | 0.25 | 0.37 | 0.27 |
| Net operating income to assets | 1.26 | 1.34 | 1.27 | 1.32 | 1.37 | 1.35 | 1.35 |
| Noninterest income to assets | 2.55 | 2.55 | 2.30 | 2.34 | 2.37 | 2.44 | 2.34 |
| Noninterest expense to assets | 3.46 | 3.35 | 3.22 | 3.21 | 3.12 | 3.18 | 3.07 |
| Loss provision to loans and leases | 1.21 | 0.82 | 0.56 | 0.53 | 0.42 | 0.63 | 0.46 |
| Net charge-offs to loans and leases | 1.12 | 0.89 | 0.63 | 0.56 | 0.39 | 0.59 | 0.43 |
| Loss provision to net charge-offs | 108.22 | 91.82 | 89.66 | 93.28 | 107.24 | 106.02 | 106.96 |
| Performance ratios (%) | | | | | | | |
| Percent of institutions unprofitable | 6.64 | 6.02 | 5.87 | 6.31 | 6.59 | 5.76 | 6.91 |
| Percent of institutions with earnings gains | 72.64 | 59.20 | 64.83 | 66.02 | 60.32 | 62.19 | 56.93 |
| Nonint. income to net operating revenue | 42.13 | 43.78 | 42.35 | 42.77 | 43.81 | 43.95 | 43.79 |
| Nonint. expense to net operating revenue | 57.16 | 57.65 | 59.38 | 58.69 | 57.69 | 57.23 | 57.53 |
| Condition ratios (%) | | | | | | | |
| Nonperforming assets to assets | 0.94 | 0.77 | 0.55 | 0.48 | 0.48 | 0.49 | 0.48 |
| Noncurrent loans to loans | 1.46 | 1.20 | 0.86 | 0.75 | 0.74 | 0.75 | 0.74 |
| Loss reserve to noncurrent loans | 127.15 | 145.68 | 174.67 | 170.43 | 163.68 | 179.00 | 163.68 |
| Loss reserve to loans | 1.85 | 1.74 | 1.50 | 1.28 | 1.21 | 1.35 | 1.21 |
| Equity capital to assets | 9.15 | 9.10 | 10.11 | 10.09 | 10.36 | 10.10 | 10.36 |
| Leverage ratio | 7.83 | 7.85 | 7.82 | 7.91 | 8.06 | 7.93 | 8.06 |
| Risk-based capital ratio | 12.77 | 12.75 | 12.61 | 12.30 | 12.57 | 12.40 | 12.57 |
| Net loans and leases to assets | 57.64 | 57.25 | 57.42 | 58.76 | 58.02 | 58.35 | 58.02 |
| Securities to assets | 18.86 | 19.16 | 18.44 | 17.39 | 16.72 | 17.78 | 16.72 |
| Appreciation in securities (% of par) | 2.21 | 0.84 | 0.43 | -1.11 | -0.48 | -0.58 | -0.48 |
| Residential mortgage assets to assets | 23.30 | 23.28 | 23.32 | 23.49 | 22.76 | 23.68 | 22.76 |
| Total deposits to assets | 66.27 | 66.24 | 66.48 | 67.19 | 65.81 | 66.46 | 65.81 |
| Core deposits to assets | 48.68 | 48.63 | 47.56 | 47.09 | 44.02 | 46.65 | 44.02 |
| Volatile liabilities to assets | 31.41 | 30.95 | 31.68 | 33.29 | 35.66 | 33.19 | 35.66 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | 2002 | 2003 | 2004 | 2005 | Preliminary 2006YTD | 2005Q3 | Preliminary 2006Q3 |
|---|-------------|-------------|-------------|-------------|------------------------|-------------|-----------------------|
| Percent of loans past due 30-89 days | | | | | | | |
| Total loans and leases | 1.17 | 1.02 | 0.86 | 0.88 | 0.87 | 0.83 | 0.87 |
| Loans secured by real estate (RE) | 1.08 | 0.90 | 0.73 | 0.79 | 0.79 | 0.72 | 0.79 |
| 1- to 4-family residential mortgages | 1.49 | 1.29 | 1.05 | 1.13 | 1.09 | 0.99 | 1.09 |
| Home equity loans | 0.59 | 0.45 | 0.37 | 0.54 | 0.60 | 0.44 | 0.60 |
| Multifamily residential mortgages | 0.46 | 0.48 | 0.36 | 0.51 | 0.51 | 0.40 | 0.51 |
| Commercial RE loans | 0.68 | 0.56 | 0.49 | 0.50 | 0.50 | 0.52 | 0.50 |
| Construction RE loans | 0.89 | 0.69 | 0.58 | 0.61 | 0.72 | 0.58 | 0.72 |
| Commercial and industrial loans | 0.89 | 0.72 | 0.64 | 0.69 | 0.58 | 0.63 | 0.58 |
| Loans to individuals | 2.22 | 2.08 | 1.82 | 1.72 | 1.85 | 1.75 | 1.85 |
| Credit cards | 2.72 | 2.53 | 2.24 | 2.00 | 2.23 | 2.22 | 2.23 |
| Installment loans and other plans | 2.08 | 1.93 | 1.62 | 1.66 | 1.75 | 1.56 | 1.75 |
| All other loans and leases | 0.58 | 0.48 | 0.38 | 0.40 | 0.42 | 0.35 | 0.42 |
| Percent of loans noncurrent | | | | | | | |
| Total loans and leases | 1.46 | 1.20 | 0.86 | 0.75 | 0.74 | 0.75 | 0.74 |
| Loans secured by real estate (RE) | 0.89 | 0.86 | 0.65 | 0.70 | 0.71 | 0.66 | 0.71 |
| 1- to 4-family residential mortgages | 0.93 | 1.00 | 0.82 | 1.03 | 0.97 | 0.91 | 0.97 |
| Home equity loans | 0.30 | 0.24 | 0.18 | 0.25 | 0.32 | 0.21 | 0.32 |
| Multifamily residential mortgages | 0.38 | 0.38 | 0.35 | 0.34 | 0.43 | 0.35 | 0.43 |
| Commercial RE loans | 0.94 | 0.90 | 0.69 | 0.60 | 0.60 | 0.63 | 0.60 |
| Construction RE loans | 0.98 | 0.70 | 0.44 | 0.37 | 0.52 | 0.39 | 0.52 |
| Commercial and industrial loans | 2.93 | 2.10 | 1.17 | 0.75 | 0.72 | 0.88 | 0.72 |
| Loans to individuals | 1.51 | 1.53 | 1.46 | 1.20 | 1.22 | 1.20 | 1.22 |
| Credit cards | 2.24 | 2.22 | 2.00 | 1.80 | 1.94 | 1.86 | 1.94 |
| Installment loans and other plans | 1.14 | 1.14 | 1.12 | 0.84 | 0.82 | 0.82 | 0.82 |
| All other loans and leases | 1.01 | 0.66 | 0.40 | 0.29 | 0.23 | 0.31 | 0.23 |
| Percent of loans charged-off, net | | | | | | | |
| Total loans and leases | 1.12 | 0.89 | 0.63 | 0.56 | 0.39 | 0.59 | 0.43 |
| Loans secured by real estate (RE) | 0.15 | 0.17 | 0.08 | 0.06 | 0.06 | 0.06 | 0.07 |
| 1- to 4-family residential mortgages | 0.14 | 0.19 | 0.08 | 0.07 | 0.07 | 0.06 | 0.08 |
| Home equity loans | 0.19 | 0.20 | 0.10 | 0.10 | 0.14 | 0.10 | 0.15 |
| Multifamily residential mortgages | 0.08 | 0.03 | 0.04 | 0.04 | 0.03 | 0.06 | 0.01 |
| Commercial RE loans | 0.15 | 0.13 | 0.07 | 0.05 | 0.03 | 0.06 | 0.04 |
| Construction RE loans | 0.17 | 0.14 | 0.05 | 0.03 | 0.03 | 0.03 | 0.04 |
| Commercial and industrial loans | 1.76 | 1.26 | 0.50 | 0.27 | 0.24 | 0.20 | 0.27 |
| Loans to individuals | 3.33 | 3.04 | 2.81 | 2.81 | 1.99 | 3.04 | 2.23 |
| Credit cards | 6.37 | 5.56 | 5.01 | 4.80 | 3.50 | 4.47 | 3.91 |
| Installment loans and other plans | 1.46 | 1.45 | 1.28 | 1.39 | 0.98 | 2.05 | 1.11 |
| All other loans and leases | 0.77 | 0.53 | 0.21 | 0.31 | 0.12 | 0.38 | 0.13 |
| Loans outstanding (\$) | | | | | | | |
| Total loans and leases | \$4,156,114 | \$4,428,635 | \$4,904,442 | \$5,380,046 | \$5,735,410 | \$5,266,106 | \$5,735,410 |
| Loans secured by real estate (RE) | 2,068,284 | 2,272,803 | 2,625,476 | 2,987,185 | 3,207,082 | 2,920,904 | 3,207,082 |
| 1- to 4-family residential mortgages | 945,841 | 994,121 | 1,082,689 | 1,226,330 | 1,288,645 | 1,205,257 | 1,288,645 |
| Home equity loans | 214,722 | 284,511 | 398,894 | 431,194 | 447,588 | 436,973 | 447,588 |
| Multifamily residential mortgages | 71,934 | 79,678 | 87,922 | 97,941 | 99,089 | 96,364 | 99,089 |
| Commercial RE loans | 555,990 | 602,719 | 667,641 | 739,075 | 786,481 | 722,174 | 786,481 |
| Construction RE loans | 207,451 | 231,514 | 290,644 | 392,417 | 475,682 | 364,258 | 475,682 |
| Farmland loans | 38,066 | 40,699 | 44,620 | 47,750 | 51,285 | 47,256 | 51,285 |
| RE loans from foreign offices | 34,280 | 39,559 | 53,066 | 52,479 | 58,311 | 48,622 | 58,311 |
| Commercial and industrial loans | 910,810 | 869,489 | 907,820 | 1,019,595 | 1,117,208 | 987,549 | 1,117,208 |
| Loans to individuals | 703,568 | 770,322 | 838,763 | 836,790 | 846,885 | 831,394 | 846,885 |
| Credit cards | 275,786 | 315,839 | 371,421 | 354,768 | 338,221 | 338,938 | 338,221 |
| Other revolving credit plans | 38,209 | 37,556 | 39,159 | 40,685 | 44,840 | 40,252 | 44,840 |
| Installment loans | 389,573 | 416,927 | 428,183 | 441,338 | 463,824 | 452,203 | 463,824 |
| All other loans and leases | 476,854 | 518,890 | 535,591 | 539,450 | 566,369 | 529,278 | 566,369 |
| Less: Unearned income | 3,401 | 2,870 | 3,208 | 2,975 | 2,133 | 3,019 | 2,133 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | Less than \$100M | | \$100M to \$1B | | \$1B to \$10B | | Greater than \$10B | |
|---|------------------|---------|----------------|-----------|---------------|-----------|--------------------|-------------|
| | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 |
| Number of institutions reporting | 3,524 | 3,331 | 3,551 | 3,631 | 380 | 401 | 86 | 87 |
| Total employees (FTEs) | 67,643 | 62,872 | 298,371 | 303,657 | 234,720 | 242,588 | 1,255,667 | 1,304,180 |
| Selected income data (\$) | | | | | | | | |
| Net income | \$490 | \$443 | \$3,351 | \$3,435 | \$3,523 | \$3,429 | \$22,439 | \$25,161 |
| Net interest income | 1,814 | 1,714 | 9,644 | 10,061 | 8,990 | 9,624 | 48,110 | 51,201 |
| Provision for loan losses | 89 | 89 | 541 | 494 | 599 | 720 | 6,938 | 5,306 |
| Noninterest income | 466 | 459 | 3,352 | 3,243 | 4,914 | 5,204 | 45,017 | 47,659 |
| Noninterest expense | 1,564 | 1,531 | 7,953 | 8,202 | 8,039 | 8,779 | 52,436 | 55,790 |
| Net operating income | 494 | 446 | 3,325 | 3,441 | 3,504 | 3,441 | 22,476 | 25,338 |
| Cash dividends declared | 239 | 223 | 1,440 | 1,447 | 2,706 | 2,303 | 14,773 | 12,771 |
| Net charge-offs | 48 | 46 | 329 | 277 | 472 | 433 | 6,855 | 5,423 |
| Selected condition data (\$) | | | | | | | | |
| Total assets | 184,294 | 173,854 | 982,391 | 1,031,919 | 1,022,836 | 1,095,324 | 6,714,336 | 7,464,335 |
| Total loans and leases | 115,988 | 109,798 | 671,336 | 718,807 | 669,635 | 730,190 | 3,809,147 | 4,176,614 |
| Reserve for losses | 1,647 | 1,510 | 8,788 | 9,131 | 8,631 | 9,352 | 51,909 | 49,276 |
| Securities | 43,874 | 40,216 | 200,928 | 202,102 | 222,731 | 212,220 | 1,115,652 | 1,178,379 |
| Other real estate owned | 239 | 221 | 999 | 1,052 | 436 | 523 | 1,653 | 2,453 |
| Noncurrent loans and leases | 1,067 | 1,029 | 4,506 | 4,931 | 4,037 | 4,400 | 30,041 | 31,959 |
| Total deposits | 152,306 | 142,648 | 796,088 | 836,911 | 719,724 | 777,344 | 4,248,951 | 4,669,579 |
| Domestic deposits | 152,292 | 142,634 | 794,363 | 835,404 | 709,968 | 767,389 | 3,357,694 | 3,577,495 |
| Equity capital | 22,022 | 22,160 | 99,384 | 106,181 | 109,445 | 126,216 | 668,555 | 757,510 |
| Off-balance-sheet derivatives | 124 | 270 | 9,467 | 12,162 | 73,609 | 87,623 | 99,470,473 | 126,992,472 |
| Performance ratios (annualized %) | | | | | | | | |
| Return on equity | 8.97 | 8.15 | 13.66 | 13.26 | 12.95 | 11.09 | 13.45 | 13.51 |
| Return on assets | 1.08 | 1.03 | 1.38 | 1.35 | 1.40 | 1.26 | 1.35 | 1.36 |
| Net interest income to assets | 3.99 | 3.99 | 3.98 | 3.95 | 3.57 | 3.53 | 2.89 | 2.77 |
| Loss provision to assets | 0.20 | 0.21 | 0.22 | 0.19 | 0.24 | 0.26 | 0.42 | 0.29 |
| Net operating income to assets | 1.09 | 1.04 | 1.37 | 1.35 | 1.39 | 1.26 | 1.35 | 1.37 |
| Noninterest income to assets | 1.02 | 1.07 | 1.38 | 1.27 | 1.95 | 1.91 | 2.70 | 2.58 |
| Noninterest expense to assets | 3.44 | 3.57 | 3.28 | 3.22 | 3.19 | 3.22 | 3.15 | 3.02 |
| Loss provision to loans and leases | 0.31 | 0.33 | 0.33 | 0.28 | 0.36 | 0.40 | 0.74 | 0.51 |
| Net charge-offs to loans and leases | 0.17 | 0.17 | 0.20 | 0.16 | 0.29 | 0.24 | 0.73 | 0.52 |
| Loss provision to net charge-offs | 185.30 | 195.44 | 164.16 | 178.19 | 127.10 | 166.11 | 101.22 | 97.85 |
| Performance ratios (%) | | | | | | | | |
| Percent of institutions unprofitable | 9.73 | 12.40 | 2.22 | 2.59 | 2.63 | 2.00 | 2.33 | 0.00 |
| Percent of institutions with earnings gains | 54.43 | 50.89 | 68.46 | 61.31 | 73.95 | 65.59 | 69.77 | 65.52 |
| Nonint. income to net operating revenue | 20.45 | 21.12 | 25.79 | 24.38 | 35.34 | 35.10 | 48.34 | 48.21 |
| Nonint. expense to net operating revenue | 68.58 | 70.48 | 61.20 | 61.65 | 57.82 | 59.21 | 56.31 | 56.43 |
| Condition ratios (%) | | | | | | | | |
| Nonperforming assets to assets | 0.71 | 0.72 | 0.56 | 0.58 | 0.44 | 0.45 | 0.48 | 0.46 |
| Noncurrent loans to loans | 0.92 | 0.94 | 0.67 | 0.69 | 0.60 | 0.60 | 0.79 | 0.77 |
| Loss reserve to noncurrent loans | 154.38 | 146.72 | 195.04 | 185.18 | 213.79 | 212.55 | 172.79 | 154.19 |
| Loss reserve to loans | 1.42 | 1.37 | 1.31 | 1.27 | 1.29 | 1.28 | 1.36 | 1.18 |
| Equity capital to assets | 11.95 | 12.75 | 10.12 | 10.29 | 10.70 | 11.52 | 9.96 | 10.15 |
| Leverage ratio | 11.94 | 12.81 | 9.67 | 9.80 | 9.37 | 9.86 | 7.34 | 7.43 |
| Risk-based capital ratio | 18.46 | 19.50 | 14.02 | 13.94 | 13.37 | 13.78 | 11.88 | 12.07 |
| Net loans and leases to assets | 62.04 | 62.29 | 67.44 | 68.77 | 64.62 | 65.81 | 55.96 | 55.29 |
| Securities to assets | 23.81 | 23.13 | 20.45 | 19.59 | 21.78 | 19.38 | 16.62 | 15.79 |
| Appreciation in securities (% of par) | -0.76 | -1.10 | -0.55 | -0.92 | -0.76 | -1.10 | -0.55 | -0.27 |
| Residential mortgage assets to assets | 19.77 | 19.02 | 20.56 | 20.06 | 23.76 | 20.69 | 24.23 | 23.52 |
| Total deposits to assets | 82.64 | 82.05 | 81.04 | 81.10 | 70.37 | 70.97 | 63.28 | 62.56 |
| Core deposits to assets | 69.12 | 66.96 | 65.38 | 63.50 | 54.96 | 54.10 | 42.03 | 39.31 |
| Volatile liabilities to assets | 16.06 | 17.35 | 20.19 | 21.85 | 27.99 | 28.19 | 36.35 | 39.09 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | Less than \$100M | | \$100M to \$1B | | \$1B to \$10B | | Greater than \$10B | |
|---|------------------|-----------|----------------|-----------|---------------|-----------|--------------------|-------------|
| | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 |
| Percent of loans past due 30-89 days | | | | | | | | |
| Total loans and leases | 1.25 | 1.33 | 0.84 | 0.90 | 0.71 | 0.74 | 0.83 | 0.87 |
| Loans secured by real estate (RE) | 1.17 | 1.30 | 0.73 | 0.83 | 0.53 | 0.60 | 0.74 | 0.81 |
| 1- to 4-family residential mortgages | 1.69 | 1.83 | 1.12 | 1.20 | 0.71 | 0.87 | 0.99 | 1.08 |
| Home equity loans | 0.56 | 0.86 | 0.42 | 0.58 | 0.39 | 0.55 | 0.44 | 0.61 |
| Multifamily residential mortgages | 0.60 | 0.98 | 0.53 | 0.60 | 0.29 | 0.61 | 0.41 | 0.40 |
| Commercial RE loans | 0.99 | 1.03 | 0.58 | 0.65 | 0.47 | 0.46 | 0.47 | 0.40 |
| Construction RE loans | 0.92 | 1.26 | 0.62 | 0.84 | 0.55 | 0.58 | 0.56 | 0.70 |
| Commercial and industrial loans | 1.37 | 1.43 | 1.01 | 1.03 | 1.04 | 0.87 | 0.49 | 0.46 |
| Loans to individuals | 2.40 | 2.41 | 1.86 | 1.72 | 1.41 | 1.63 | 1.76 | 1.86 |
| Credit cards | 1.99 | 2.10 | 3.84 | 2.84 | 1.45 | 1.67 | 2.23 | 2.25 |
| Installment loans and other plans | 2.45 | 2.46 | 1.72 | 1.67 | 1.46 | 1.69 | 1.52 | 1.74 |
| All other loans and leases | 0.60 | 0.61 | 0.50 | 0.53 | 0.46 | 0.57 | 0.33 | 0.40 |
| Percent of loans noncurrent | | | | | | | | |
| Total loans and leases | 0.92 | 0.94 | 0.67 | 0.69 | 0.60 | 0.60 | 0.79 | 0.77 |
| Loans secured by real estate (RE) | 0.81 | 0.88 | 0.60 | 0.64 | 0.53 | 0.57 | 0.70 | 0.75 |
| 1- to 4-family residential mortgages | 0.93 | 0.96 | 0.69 | 0.71 | 0.67 | 0.68 | 0.97 | 1.04 |
| Home equity loans | 0.23 | 0.24 | 0.22 | 0.27 | 0.21 | 0.31 | 0.21 | 0.32 |
| Multifamily residential mortgages | 0.74 | 0.81 | 0.41 | 0.47 | 0.20 | 0.45 | 0.39 | 0.39 |
| Commercial RE loans | 0.86 | 0.97 | 0.65 | 0.67 | 0.62 | 0.58 | 0.60 | 0.54 |
| Construction RE loans | 0.46 | 0.82 | 0.43 | 0.60 | 0.37 | 0.53 | 0.38 | 0.46 |
| Commercial and industrial loans | 1.48 | 1.37 | 1.04 | 0.97 | 0.93 | 0.81 | 0.84 | 0.66 |
| Loans to individuals | 0.90 | 0.90 | 0.73 | 0.65 | 0.51 | 0.58 | 1.30 | 1.32 |
| Credit cards | 1.28 | 0.87 | 2.16 | 2.08 | 1.12 | 1.23 | 1.89 | 1.97 |
| Installment loans and other plans | 0.91 | 0.92 | 0.60 | 0.53 | 0.34 | 0.36 | 0.90 | 0.91 |
| All other loans and leases | 0.79 | 0.71 | 0.56 | 0.51 | 0.53 | 0.33 | 0.26 | 0.19 |
| Percent of loans charged-off, net | | | | | | | | |
| Total loans and leases | 0.17 | 0.17 | 0.20 | 0.16 | 0.29 | 0.24 | 0.73 | 0.52 |
| Loans secured by real estate (RE) | 0.04 | 0.06 | 0.05 | 0.05 | 0.08 | 0.06 | 0.06 | 0.08 |
| 1- to 4-family residential mortgages | 0.05 | 0.08 | 0.08 | 0.06 | 0.07 | 0.07 | 0.06 | 0.09 |
| Home equity loans | 0.04 | 0.09 | 0.05 | 0.05 | 0.10 | 0.13 | 0.10 | 0.16 |
| Multifamily residential mortgages | 0.05 | 0.04 | 0.05 | 0.04 | 0.06 | 0.08 | 0.07 | -0.03 |
| Commercial RE loans | 0.05 | 0.07 | 0.05 | 0.05 | 0.10 | 0.05 | 0.04 | 0.03 |
| Construction RE loans | 0.03 | 0.08 | 0.04 | 0.04 | 0.04 | 0.04 | 0.02 | 0.04 |
| Commercial and industrial loans | 0.37 | 0.41 | 0.39 | 0.33 | 0.53 | 0.43 | 0.12 | 0.23 |
| Loans to individuals | 0.73 | 0.59 | 1.29 | 0.99 | 1.24 | 1.26 | 3.35 | 2.41 |
| Credit cards | 2.34 | 1.52 | 6.02 | 5.18 | 2.69 | 2.54 | 4.53 | 3.97 |
| Installment loans and other plans | 0.70 | 0.57 | 0.81 | 0.59 | 0.77 | 0.79 | 2.37 | 1.21 |
| All other loans and leases | 0.11 | 0.12 | 0.25 | 0.22 | 0.42 | 0.30 | 0.39 | 0.11 |
| Loans outstanding (\$) | | | | | | | | |
| Total loans and leases | \$115,988 | \$109,798 | \$671,336 | \$718,807 | \$669,635 | \$730,190 | \$3,809,147 | \$4,176,614 |
| Loans secured by real estate (RE) | 72,961 | 69,723 | 492,946 | 534,302 | 453,113 | 499,924 | 1,901,883 | 2,103,133 |
| 1- to 4-family residential mortgages | 27,595 | 25,518 | 137,115 | 143,582 | 127,616 | 122,774 | 912,930 | 996,772 |
| Home equity loans | 2,502 | 2,276 | 26,402 | 25,703 | 35,166 | 32,197 | 372,904 | 387,412 |
| Multifamily residential mortgages | 1,617 | 1,513 | 17,608 | 18,423 | 26,192 | 27,657 | 50,947 | 51,496 |
| Commercial RE loans | 22,548 | 21,198 | 195,824 | 207,173 | 169,730 | 185,335 | 334,073 | 372,775 |
| Construction RE loans | 8,733 | 9,571 | 94,259 | 115,504 | 85,851 | 121,071 | 175,416 | 229,537 |
| Farmland loans | 9,966 | 9,647 | 21,709 | 23,891 | 7,600 | 9,104 | 7,980 | 8,644 |
| RE loans from foreign offices | 0 | 0 | 29 | 26 | 958 | 1,787 | 47,634 | 56,497 |
| Commercial and industrial loans | 18,274 | 17,026 | 102,085 | 107,194 | 123,458 | 133,465 | 743,732 | 859,523 |
| Loans to individuals | 11,030 | 9,547 | 45,520 | 44,159 | 62,005 | 63,973 | 712,839 | 729,206 |
| Credit cards | 190 | 154 | 4,230 | 3,950 | 14,524 | 17,505 | 319,994 | 316,611 |
| Other revolving credit plans | 206 | 170 | 1,501 | 1,553 | 2,317 | 2,212 | 36,229 | 40,905 |
| Installment loans | 10,634 | 9,223 | 39,789 | 38,655 | 45,164 | 44,255 | 356,616 | 371,690 |
| All other loans and leases | 13,790 | 13,562 | 31,383 | 33,722 | 31,642 | 33,466 | 452,463 | 485,618 |
| Less: Unearned income | 66 | 61 | 599 | 570 | 584 | 637 | 1,770 | 865 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | 2002 | 2003 | 2004 | 2005 | Preliminary 2006YTD | 2005Q3 | Preliminary 2006Q3 |
|--|-------------|-------------|-------------|-------------|------------------------|-------------|-----------------------|
| Number of institutions reporting | 7,888 | 7,770 | 7,631 | 7,526 | 7,450 | 7,541 | 7,450 |
| Unused commitments | \$5,312,641 | \$5,395,215 | \$5,813,673 | \$6,177,765 | \$6,745,790 | \$6,004,658 | \$6,745,790 |
| Home equity lines | 248,045 | 314,129 | 393,506 | 473,810 | 522,588 | 457,924 | 522,588 |
| Credit card lines | 3,352,608 | 3,386,476 | 3,526,159 | 3,525,070 | 3,830,454 | 3,442,409 | 3,830,454 |
| Commercial RE, construction and land | 164,663 | 187,857 | 249,379 | 323,255 | 348,371 | 306,127 | 348,371 |
| All other unused commitments | 1,547,325 | 1,506,754 | 1,644,629 | 1,855,630 | 2,044,378 | 1,798,198 | 2,044,378 |
| Letters of Credit: | | | | | | | |
| Standby letters of credit | 269,193 | 288,613 | 337,708 | 367,339 | 412,341 | 352,435 | 412,341 |
| Financial letters of credit | 227,448 | 242,217 | 288,630 | 313,044 | 353,488 | 300,104 | 353,488 |
| Performance letters of credit | 41,744 | 46,395 | 49,077 | 54,295 | 58,852 | 52,331 | 58,852 |
| Commercial letters of credit | 22,607 | 24,236 | 28,369 | 28,243 | 29,726 | 29,622 | 29,726 |
| Securities lent | 582,326 | 851,980 | 1,165,311 | 1,368,100 | 1,704,621 | 1,353,805 | 1,704,621 |
| Spot foreign exchange contracts | 195,883 | 273,038 | 418,835 | 430,912 | 916,874 | 800,481 | 916,874 |
| Credit derivatives (notional value) | | | | | | | |
| Reporting bank is the guarantor | 291,346 | 471,459 | 1,127,101 | 2,681,083 | 3,953,632 | 2,369,469 | 3,953,632 |
| Reporting bank is the beneficiary | 350,169 | 529,198 | 1,219,593 | 3,140,937 | 3,950,399 | 2,724,212 | 3,950,399 |
| Derivative contracts (notional value) | 56,208,857 | 71,098,970 | 87,867,718 | 101,437,049 | 126,175,652 | 98,753,192 | 126,175,652 |
| Futures and forward contracts | 11,376,170 | 11,400,204 | 11,364,572 | 12,055,589 | 14,482,300 | 11,926,969 | 14,482,300 |
| Interest rate contracts | 7,380,246 | 7,212,780 | 6,520,258 | 7,059,609 | 8,392,713 | 6,999,076 | 8,392,713 |
| Foreign exchange contracts | 3,865,759 | 4,078,891 | 4,716,750 | 4,828,106 | 5,766,085 | 4,746,726 | 5,766,085 |
| All other futures and forwards | 130,165 | 108,532 | 127,564 | 167,874 | 323,502 | 181,167 | 323,502 |
| Option contracts | 11,574,288 | 14,613,199 | 17,749,827 | 18,855,916 | 26,245,895 | 19,621,987 | 26,245,895 |
| Interest rate contracts | 9,897,725 | 12,542,023 | 14,950,427 | 15,160,373 | 20,097,660 | 16,148,031 | 20,097,660 |
| Foreign exchange contracts | 910,932 | 1,299,696 | 1,734,365 | 2,359,620 | 3,213,671 | 2,075,213 | 3,213,671 |
| All other options | 765,631 | 771,480 | 1,065,036 | 1,335,923 | 2,934,563 | 1,398,743 | 2,934,563 |
| Swaps | 32,616,884 | 44,084,911 | 56,406,624 | 64,703,524 | 77,543,426 | 62,110,555 | 77,543,426 |
| Interest rate contracts | 31,195,203 | 42,107,453 | 54,048,037 | 62,299,388 | 74,694,495 | 59,736,600 | 74,694,495 |
| Foreign exchange contracts | 1,303,654 | 1,805,416 | 2,155,470 | 2,100,655 | 2,330,177 | 2,101,970 | 2,330,177 |
| All other swaps | 118,026 | 172,041 | 203,117 | 303,481 | 518,754 | 271,985 | 518,754 |
| Memoranda: Derivatives by purpose | | | | | | | |
| Contracts held for trading | 53,460,317 | 67,730,113 | 82,911,846 | 93,008,371 | 115,273,950 | 91,106,563 | 115,273,950 |
| Contracts not held for trading | 2,107,025 | 2,368,200 | 2,609,178 | 2,606,658 | 2,997,671 | 2,552,948 | 2,997,671 |
| Memoranda: Derivatives by position | | | | | | | |
| Held for trading—positive fair value | 1,134,845 | 1,147,402 | 1,308,177 | 1,209,342 | 1,137,266 | 1,335,271 | 1,137,266 |
| Held for trading—negative fair value | 1,118,099 | 1,127,517 | 1,283,865 | 1,193,538 | 1,122,024 | 1,314,266 | 1,122,024 |
| Not for trading—positive fair value | 36,321 | 25,877 | 20,151 | 14,687 | 11,692 | 15,005 | 11,692 |
| Not for trading—negative fair value | 25,755 | 22,771 | 18,371 | 14,678 | 11,043 | 14,833 | 11,043 |

CONDITION AND PERFORMANCE OF COMMERCIAL BANKS

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

| | Less than \$100M | | \$100M to \$1B | | \$1B to \$10B | | Greater than \$10B | |
|--|------------------|----------|----------------|-----------|---------------|-------------|--------------------|-------------|
| | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 | 2005Q3 | 2006Q3 |
| Number of institutions reporting | 3,524 | 3,331 | 3,551 | 3,631 | 380 | 401 | 86 | 87 |
| Unused commitments | \$71,990 | \$38,774 | \$298,253 | \$334,767 | \$906,105 | \$1,024,627 | \$4,728,310 | \$5,347,623 |
| Home equity lines | 1,795 | 1,794 | 22,309 | 24,069 | 34,520 | 35,342 | 399,300 | 461,382 |
| Credit card lines | 54,351 | 21,486 | 128,997 | 180,706 | 683,746 | 763,579 | 2,575,315 | 2,864,682 |
| Commercial RE, construction and land | 5,072 | 4,989 | 53,149 | 56,168 | 63,716 | 75,733 | 184,190 | 211,481 |
| All other unused commitments | 10,772 | 10,505 | 93,798 | 73,823 | 124,124 | 149,972 | 1,569,505 | 1,810,077 |
| Letters of Credit: | | | | | | | | |
| Standby letters of credit | 502 | 470 | 7,088 | 7,416 | 18,355 | 17,792 | 326,490 | 386,663 |
| Financial letters of credit | 324 | 298 | 4,337 | 4,507 | 14,105 | 12,921 | 281,338 | 335,763 |
| Performance letters of credit | 178 | 172 | 2,751 | 2,909 | 4,250 | 4,871 | 45,152 | 50,900 |
| Commercial letters of credit | 89 | 95 | 682 | 758 | 1,854 | 2,079 | 26,997 | 26,795 |
| Securities lent | 24 | 15 | 571 | 477 | 4,094 | 5,178 | 1,349,116 | 1,698,951 |
| Spot foreign exchange contracts | 0 | 0 | 10 | 41 | 264 | 462 | 800,207 | 916,371 |
| Credit derivatives (notional value) | | | | | | | | |
| Reporting bank is the guarantor | 0 | 0 | 3 | 5 | 130 | 231 | 2,369,335 | 3,953,396 |
| Reporting bank is the beneficiary | 0 | 0 | 41 | 1 | 3,497 | 64 | 2,720,674 | 3,950,333 |
| Derivative contracts (notional value) | 124 | 270 | 9,457 | 12,120 | 73,346 | 87,161 | 98,670,265 | 126,076,101 |
| Futures and forward contracts | 29 | 157 | 2,052 | 2,035 | 12,873 | 10,544 | 11,912,016 | 14,469,564 |
| Interest rate contracts | 20 | 25 | 2,033 | 1,999 | 7,034 | 7,976 | 6,989,990 | 8,382,714 |
| Foreign exchange contracts | 9 | 132 | 10 | 29 | 2,591 | 2,435 | 4,744,116 | 5,763,489 |
| All other futures and forwards | 0 | 0 | 9 | 7 | 3,248 | 134 | 177,910 | 323,362 |
| Option contracts | 65 | 81 | 3,728 | 5,421 | 14,483 | 12,658 | 19,603,711 | 26,227,735 |
| Interest rate contracts | 42 | 60 | 3,537 | 5,272 | 11,861 | 10,372 | 16,132,591 | 20,081,957 |
| Foreign exchange contracts | 0 | 0 | 1 | 0 | 1,148 | 1,198 | 2,074,063 | 3,212,473 |
| All other options | 23 | 21 | 191 | 149 | 1,474 | 1,088 | 1,397,056 | 2,933,305 |
| Swaps | 30 | 32 | 3,634 | 4,659 | 42,363 | 63,663 | 62,064,529 | 77,475,072 |
| Interest rate contracts | 20 | 25 | 3,548 | 4,584 | 41,972 | 62,715 | 59,691,059 | 74,627,171 |
| Foreign exchange contracts | 0 | 0 | 0 | 3 | 299 | 688 | 2,101,671 | 2,329,487 |
| All other swaps | 10 | 7 | 85 | 72 | 91 | 261 | 271,799 | 518,414 |
| Memoranda: Derivatives by purpose | | | | | | | | |
| Contracts held for trading | 3 | 11 | 177 | 146 | 14,285 | 37,169 | 91,092,098 | 115,236,625 |
| Contracts not held for trading | 121 | 259 | 9,236 | 11,968 | 55,433 | 49,697 | 2,488,158 | 2,935,747 |
| Memoranda: Derivatives by position | | | | | | | | |
| Held for trading—positive fair value | 0 | 0 | 3 | 5 | 258 | 789 | 1,335,010 | 1,136,471 |
| Held for trading—negative fair value | 0 | 0 | 3 | 3 | 238 | 768 | 1,314,025 | 1,121,252 |
| Not for trading—positive fair value | 3 | 5 | 49 | 68 | 256 | 277 | 14,696 | 11,342 |
| Not for trading—negative fair value | 2 | 3 | 70 | 76 | 460 | 452 | 14,301 | 10,513 |

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.

A decorative graphic featuring a large, stylized, light-colored letter 'Q' in the background. Overlaid on the 'Q' is a white scroll with a black outline, containing the text '25th Anniversary'. The scroll is adorned with intricate, light-colored floral and vine flourishes that extend across the page.

25th Anniversary

RECENT LICENSING
DECISIONS

RECENT LICENSING DECISIONS

Cases Published during July, August, and September 2006

Community Reinvestment Act (CRA) Decisions

On September 15, 2006, the OCC approved an application filed by JPMorgan Chase Bank, NA, Columbus, Ohio, (JPMCB), to acquire certain assets and assume certain deposits of the Bank of New York, New York, New York. The OCC received comments from 11 community organizations, some requesting the application be denied and that a public hearing be held. The issues raised included assertions that JPMCB decreased service to low and moderate income communities, concerns over surcharges, potential branch closures, lending disparities, and concerns over certain products. After careful consideration, the OCC determined not to hold a public hearing. JPMCB reviewed and responded to the various comments. [CRA Decision No. 136]

On September 29, 2006, HSBC USA, Inc., received conditional approval to change the scope of activities of HSBC Trust Company (Delaware), National Association, Wilmington, Delaware (HTCD). HTCD plans to expand its activities from a limited purpose trust bank to include loans and deposits related to tax refunds (RAL). The conditions imposed include standard conditions as well as conditions addressing certain aspects of the RAL activities. The OCC did not receive public comments on this application, however, the FDIC received two comments asking them to extend the public comment period, deny the application and hold a public hearing. Although the OCC did not receive the comments, the OCC evaluated the comments received by the FDIC in reviewing the application. The majority of issues raised by the commenter were not directed at HTCD but other affiliated bank and non-bank entities. However, the commenter raised concerns over HTCD's plan to offer tax refund products. OCC concluded that the public comments did not reveal any evidence inconsistent with approval. [CRA Decision No. 137]

Business Combination

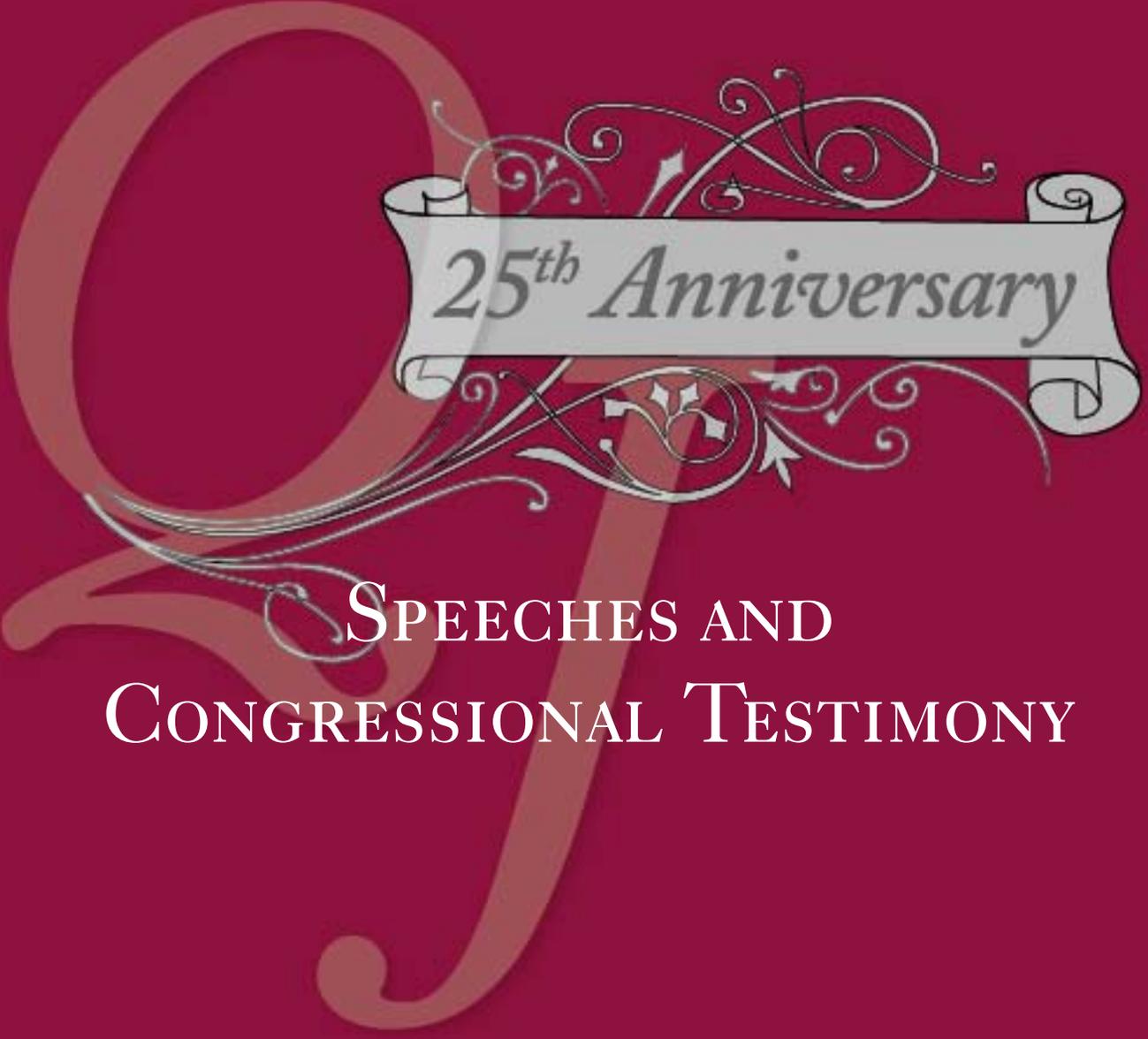
On July 13, 2006, the OCC granted conditional approval for State Bank, Lawson, Oklahoma, to merge with and into First National Bank & Trust Company, Shawnee, Oklahoma (the bank). The application was approved subject to the adoption by the Citizens Band Potawatomi Tribe and the bank of a resolution addressing federal banking agency jurisdiction over and the applicability of federal and other laws, rules and regulations relating to national banks to the Tribe and the bank,

and to activities and transactions between the Tribe and the bank, including an irrevocable waiver of sovereign immunity by the tribe and the bank and its affiliates. This condition is enforceable by 12 CFR 1818. [Conditional Approval No. 753]

Operating Subsidiary

On August 25, 2006, the OCC conditionally approved an application filed by HSBC Bank, N.A., Wilmington, Delaware, for its wholly owned operating subsidiary, HSBC Investment (USA) Inc. (HSBCI), to hold a limited equity interest in connection with investment management activities. HSBCI provides investment advisory services, including portfolio management, to investment companies and individual clients. HSBCI will now serve as managing member and advisor for HSBC Global Markets Equity Freestyle Fund. For its services, HSBCI will receive both a management fee and performance-based compensation. To receive a share of the profits, HSBCI needs to hold an interest in the fund. This interest will be in the form of a \$1,000 managing member capital contribution. The conditions imposed on the bank center on the bank making information available to OCC and implementing policies and procedures to control the various risks associated with the activity. [Conditional Approval No. 755]

On July 12, 2006, the OCC approved an application by Sunflower Bank, National Association, Salina, Kansas, to establish a wholly owned limited liability company by the name of Community Investment, LLC (Community). Community will help facilitate the purchase of Kansas State rehabilitation tax credits. State rehabilitation tax credits help facilitate economic development and preservation of historic properties. The bank will make loans to Community who will in turn purchase the tax credits. The bank will then use the credits to reduce its own tax liability or sell the credits to individuals and businesses. The applicant represents that these tax credits are fully transferable. OCC previously concluded that purchasing, holding and subsequent reselling of transferable state tax credits is a permissible activity for national banks. [Corporate Decision No. 2006-06]



25th Anniversary

SPEECHES AND
CONGRESSIONAL TESTIMONY

SPEECHES AND CONGRESSIONAL TESTIMONY

9/14/2006, Comptroller Dugan Tells House Panel that Goal of Basel II Capital Framework and Commercial Real Estate Guidance Is To Address Risks Facing Banking System, (testimony, www.occ.treas.gov/ftp/release/2006-96.pdf)

9/20/2006, OCC Deputy Comptroller Dick Testifies before Senate Subcommittees on Non-traditional Mortgage Products, (testimony, www.occ.treas.gov/ftp/release/2006-100b.pdf)

9/26/2006, Comptroller Dugan Tells Senate Panel that Basel II Capital Framework Will Substantially Improve Large Bank Risk Management and Controls, (testimony, www.occ.treas.gov/ftp/release/2006-104b.pdf)

9/27/2006, OCC First Senior Deputy Comptroller and Chief Counsel Testifies on Bank Premise Issues before House Subcommittee, (testimony, www.occ.treas.gov/ftp/release/2006-105b.pdf)



25th Anniversary

INTERPRETATIONS

INTERPRETATIONS

July [[Interpretations and Actions](#)]

1063, Letter concludes that a national bank may engage in customer-driven, perfectly matched, cash-settled derivative transactions (such as swaps, options, forwards, caps, floors, collars, and futures) where payments are based on prices of (i) hogs (including lean hogs and pork bellies); (ii) lumber; (iii) corrugated cardboard (including new and recycled); and (iv) polystyrene. Before doing so, however, the bank's examiner-in-charge (EIC) must be satisfied that the bank has adequate risk management and measurement systems and controls to conduct the activities on a safe and sound basis. (6/1/2006)

August [[Interpretations and Actions](#)]

1064, Letter concludes that a national bank may hedge the risks arising from bank permissible, customer-driven derivative transactions using below-investment grade bonds, and that when the bank acquires such bonds for this purpose, it is subject to the standards applicable to derivative hedges and not the limitations of 12 CFR Part 1 applicable to investment securities. (7/13/2006)

1065, Letter concludes that it is legally permissible for national banks to engage in customer-driven, perfectly matched, cash-settled derivative transactions with payments based on 11 categories of reference assets related indices. (7/24/2006)

1066, Letter permits bank to use, pursuant to the OCC's reservation of authority, an alternative calculation based on the bank's value-at-risk model (VAR approach) to determine the risk-based capital charge for certain securities lending transactions. Under the VAR approach, the risk-based capital charge would be based on a measure of economic exposure that takes into account the market value of collateral received and security lent, as well as the market price volatilities of both the securities lent by the bank and received as collateral. (11/8/2005)

1067, Letter clarifies that "service costs" paid on an innovative capital instrument by an operating subsidiary to third party investors constitutes a dividend for the purposes of 12 USC 60. However, to avoid double counting of the service costs, the bank may adjust its net income for distributions on innovative capital instruments that are treated as dividends. (2/28/2006)

INTERPRETATIONS

1068, Letter concludes that laws recently enacted in some states that prohibit or restrict branching by out-of-state industrial loan companies into the enacting state undercut those states' laws permitting interstate de novo branching by banks generally. The result is that under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, federal regulators cannot approve the establishment of *de novo* branches in such states by any out of state bank. (7/28/2006)

A large, stylized letter 'Q' in a light red color serves as a background. A white scroll with a black outline is positioned horizontally across the middle of the 'Q'. The scroll contains the text '25th Anniversary' in a black, serif font. The scroll is decorated with intricate, black, swirling floral and vine patterns that extend upwards and downwards from the scroll's edges.

25th Anniversary

MERGERS

MERGERS—JULY 1 TO SEPTEMBER 30, 2006

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MERGERS

Mergers—July 1 to September 30, 2006

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

| Title and location | Charter number | Total assets (\$) |
|--|----------------------|---------------------------------|
| California | | |
| Vineyard Bank, National Association, Corona and Rancho Bank, San Dimas, California | (024650) | 1,852,387,000 227,625,000 |
| merged on July 31, 2006, under the title of Vineyard Bank, National Association, Corona | (024650) | 2,125,507,000 |
| Kansas | | |
| First National Bank, Goodland and The First National Bank of Mount Vernon, Mount Vernon, Missouri | (014163) (013504) | 336,000,000 1,000 |
| merged on August 3, 2006, under the title of First National Bank, Goodland | (014163) | 336,000,000 |
| The Girard National Bank, Girard and Valley State Bank, Lamar, Colorado | (013347) | 293,412,000 97,575,000 |
| merged on September 1, 2006, under the title of The Girard National Bank, Girard | (013347) | 394,587,000 |
| Mississippi | | |
| Cadence Bank, National Association, Starkville and Suncoast Bank, Sarasota, Florida | (003656) | 1,470,803,000 134,950,000 |
| merged on August 17, 2006, under the title of Cadence Bank, National Association, Starkville | (003656) | 1,627,664,000 |
| Missouri | | |
| Commerce Bank, National Association, Kansas City and West Pointe Bank and Trust Company, Belleville, Illinois | (018112) | 12,387,130,000 464,590,000 |
| merged on September 1, 2006, under the title of Commerce Bank, National Association, Kansas City | (018112) | 12,904,161,000 |
| Oklahoma | | |
| Stillwater National Bank and Trust Company, Stillwater and McMullen Bank, Tilden, Texas | (005347) | 2,065,687,000 37,012,000 |
| merged on July 28, 2006, under the title of Stillwater National Bank and Trust Company, Stillwater | (005347) | 2,100,845,000 |
| First National Bank and Trust Company, Shawnee and The Guarantee State Bank, Mangum, Oklahoma | (018430) | 104,000,000 52,000,000 |
| merged on July 29, 2006, under the title of First National Bank and Trust Company, Shawnee | (018430) | 156,000,000 |
| Pennsylvania | | |
| First National Trust Company, Hermitage and The Legacy Trust Company, Harrisburg, Pennsylvania | (024475) | 7,726,000 1,393,000 |
| merged on May 26, 2006, under the title of First National Trust Company, Hermitage | (024475) | 11,129,000 |
| Tennessee | | |
| First Tennessee Bank National Association, Memphis and The State Bank, Rocky Ford, Colorado | (000336) | 36,292,580,000 24,203,000 |
| merged on June 30, 2006, under the title of First Tennessee Bank National Association, Memphis | (000336) | 36,316,783,000 |
| Wisconsin | | |
| Marshall & Ilsley Trust Company, National Association, Milwaukee and First Indiana Trust Company, National Association, Indianapolis, Indiana | (023617) (024691) | 74,959,174,000 1,948,386,000 |
| merged on June 30, 2006, under the title of Marshall & Ilsley Trust Company, National Association, Milwaukee | (023617) | 77,329,842,000 |

MERGERS

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

| Title and location | Charter number | Total assets (\$) |
|---|----------------|-------------------|
| California | | |
| Inland Community Bank, National Association, Rialto | (021660) | 125,817,000 |
| and Western State Bank, Duarte, California | | 50,997,000 |
| merged on August 11, 2006, under the title of Inland Community Bank, National Association, Rialto | (021660) | 189,305,000 |
| Colorado | | |
| UMB Bank Colorado, National Association, Denver | (023905) | 514,507,000 |
| and Mountain States Bank, Denver, Colorado | | 278,599,000 |
| merged on September 15, 2006, under the title of UMB Bank Colorado, National Association, Denver | (023905) | 827,762,000 |
| Florida | | |
| Northern Trust Bank of Florida National Association, Miami | (017487) | 5,363,989,000 |
| and Northern Trust Bank, National Association, Phoenix, Arizona | (017949) | 1,294,318,000 |
| and Northern Trust Bank of California, National Association, Santa Barbara, California | (017751) | 1,495,270,000 |
| and Northern Trust Bank of Texas National Association, Dallas, Texas | (018644) | 1,017,739,000 |
| merged on August 28, 2006, under the title of Northern Trust, National Association, Miami | (017487) | 9,171,316,000 |
| Riverside National Bank of Florida, Fort Pierce | (017437) | 3,471,294,000 |
| and First Community Bank, Debarry, Florida | | 257,772,000 |
| merged on August 18, 2006, under the title of Riverside National Bank of Florida, Fort Pierce | (017437) | 3,785,978,000 |
| Seacoast National Bank, Stuart | (014838) | 2,178,779,000 |
| and Century National Bank, Orlando, Florida | (023895) | 415,243,000 |
| merged on August 12, 2006, under the title of Seacoast National Bank, Stuart | (014838) | 2,436,673,000 |
| Illinois | | |
| The National Bank, Moline | (024555) | 486,061,000 |
| and Metrobank, National Association, Davenport, Iowa | (023175) | 610,839,000 |
| merged on July 7, 2006, under the title of The National Bank, Moline | (024555) | 1,096,900,000 |
| Harris National Association, Chicago | (014583) | 35,734,299,000 |
| and Mercantile National Bank of Indiana, Hammond, Indiana | (014529) | 792,351,000 |
| merged on August 25, 2006, under the title of Harris National Association, Chicago | (014583) | 36,526,650,000 |
| Mount Prospect National Bank, Mt. Prospect | (023406) | 348,378,000 |
| and State Bank and Trust, North Barrington, Illinois | | 155,798,000 |
| merged on July 1, 2006, under the title of Mount Prospect National Bank, Mt. Prospect | (023406) | 504,177,000 |
| First Mid-Illinois Bank & Trust, National Association, Mattoon | (010045) | 835,542,000 |
| and Peoples State Bank of Mansfield, Mansfield, Illinois | | 132,025,000 |
| merged on September 8, 2006, under the title of First Mid-Illinois Bank & Trust, National Association, Mattoon | (010045) | 967,567,000 |
| Kentucky | | |
| Citizens National Bank of Paintsville, Paintsville | (013023) | 355,000,000 |
| and Heritage Bank of Ashland, Inc., Ashland, Kentucky | | 83,000,000 |
| merged on June 17, 2006, under the title of Citizens National Bank of Paintsville, Paintsville | (013023) | 438,000,000 |
| Louisiana | | |
| Whitney National Bank, New Orleans | (014977) | 10,287,413,000 |
| and 1st National Bank & Trust, Bradenton, Florida | (021085) | 380,131,000 |
| merged on July 21, 2006, under the title of Whitney National Bank, New Orleans | (014977) | 10,717,256,000 |
| Mississippi | | |
| Trustmark National Bank, Jackson | (010523) | 8,093,630,000 |
| and Republic National Bank, Houston, Texas | (023675) | 652,989,000 |
| merged on August 25, 2006, under the title of Trustmark National Bank, Jackson | (010523) | 8,746,619,000 |

MERGERS

| | | |
|--|--|--|
| Nebraska | | |
| The Citizens National Bank of Wisner, Wisner and Bank of Leigh, Leigh, Nebraska and The First National Bank of Belden, Belden, Nebraska merged on August 25, 2006, under the title of Citizens National Bank, Wisner | (006866) (010025) (006866) | 41,893,000 22,202,000 31,311,000 95,406,000 |
| Amfirst Bank, National Association, McCook and State Bank, Benkelman, Nebraska merged on September 8, 2006, under the title of Amfirst Bank, National Association, McCook | (008031) (008031) | 149,110,000 36,830,000 185,940,000 |
| North Carolina | | |
| Bank of America, National Association, Charlotte and MBNA America (Delaware), National Association, Wilmington, Delaware merged on September 22, 2006, under the title of Bank of America, National Association, Charlotte | (013044) (024095) (013044) | 1,104,944,125,000 6,427,055,000 1,118,943,678,000 |
| Ohio | | |
| National City Bank, Cleveland and National City Bank of Indiana, Indianapolis, Indiana and National City Bank of Southern Indiana, New Albany, Indiana and National City Bank of Pennsylvania, Pittsburgh, Pennsylvania and National City Bank of Kentucky, Louisville, Kentucky and National City Bank of the Midwest, Bannockburn, Illinois merged on July 22, 2006, under the title of National City Bank, Cleveland | (000786) (000869) (021723) (023019) (000109) (000191) (000786) | 69,600,658,000 28,502,373,000 401,156,000 15,749,515,000 10,217,767,000 23,374,948,000 141,796,282,000 |
| National City Bank, Cleveland and Pioneer Bank and Trust Company, Creve Coeur, Missouri merged on August 19, 2006, under title of National City Bank, Cleveland | (000786) (000786) | 140,142,031,000 528,932,000 140,740,772,000 |
| The Park National Bank, Newark and The Park National Bank, Florence, Kentucky merged on September 11, 2006, under the title of The Park National Bank, Newark | (009179) (024703) (009179) | 2,000,412,000 10,000,000 2,010,412,000 |
| U.S. Bank National Association, Cincinnati and Weststar Bank, Vail, Colorado merged on September 12, 2006, under the title of U.S. Bank National Association, Cincinnati | (000024) (000024) | 208,940,312,000 766,904,000 209,707,216,000 |
| Oklahoma | | |
| The First National Bank and Trust Company of Okmulgee, Okmulgee and First National Bank, Henryetta, Henryetta, Oklahoma merged on September 11, 2006, under the title of The First National Bank and Trust Company of Okmulgee, Okmulgee | (011001) (015462) (011001) | 119,874,000 60,663,000 180,538,000 |
| Pennsylvania | | |
| The First National Bank of Greencastle, Greencastle and The First National Bank of McConnellsburg, McConnellsburg, Pennsylvania merged on August 28, 2006, under the title of The First National Bank of Greencastle, Greencastle | (001081) (008083) (001081) | 308,470,000 189,731,000 513,759,000 |
| South Dakota | | |
| Wells Fargo Bank, National Association, Sioux Falls and Fremont National Bank of Canon City, Canon City, Colorado and Centennial Bank of Pueblo, Pueblo, Colorado merged on September 23, 2006, under the title of Wells Fargo Bank, National Association, Sioux Falls | (001741) (008433) (001741) | 415,944,216,000 155,094,000 33,933,000 416,153,843,000 |

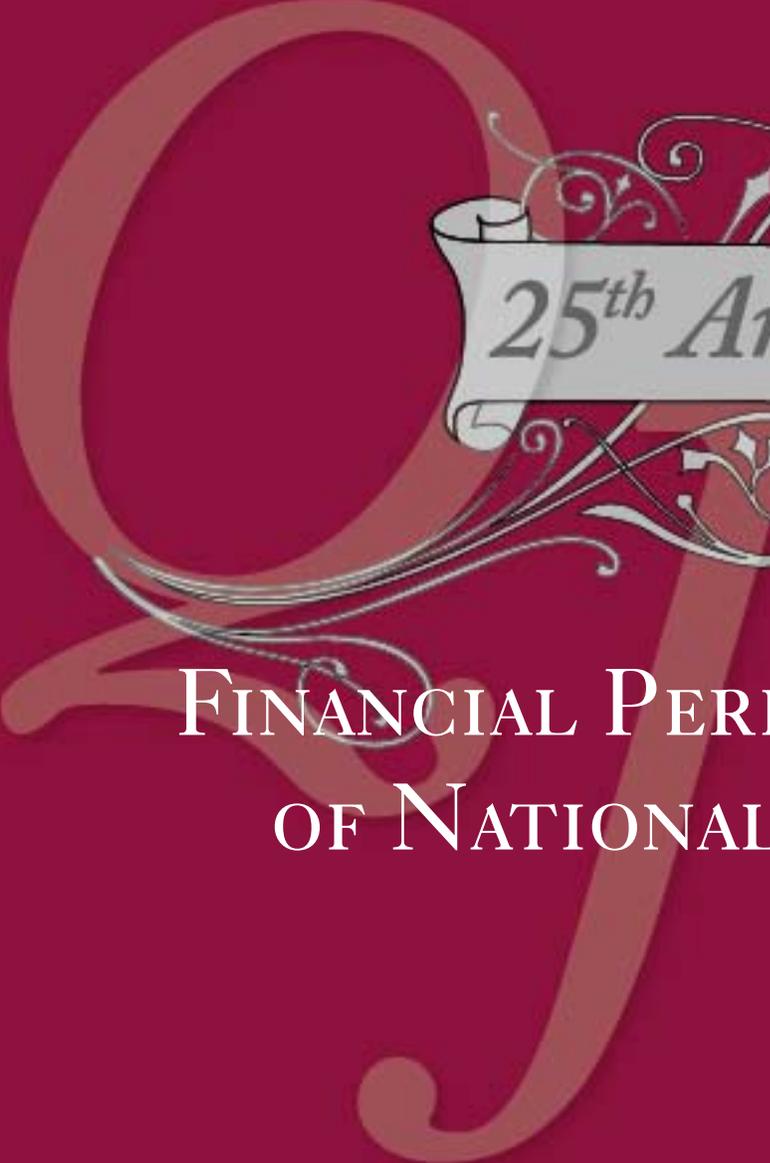
MERGERS

Nonaffiliated merger—thrift (merger consummated involving nonaffiliated national bank and savings and loan association) from July 1 to September 30, 2006, by state

| Title and location | Charter number | Total assets (\$) |
|---|-----------------------|--------------------------|
| NEW YORK | | |
| Community Bank, National Association, Canton | (008531) | 4,145,872,000 |
| and Elmira Savings and Loan, F.A., Elmira, New York | | 210,163,000 |
| merged on August 11, 2006, under the title of Community Bank, National Association, Canton | (008531) | 4,372,622,000 |



25th Anniversary



FINANCIAL PERFORMANCE
OF NATIONAL BANKS

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | September 30, 2005 | September 30, 2006 | Change September 30, 2005– September 30, 2006 fully consolidated | |
|--|---|---|---|---------------|
| | Consolidated foreign and domestic | Consolidated foreign and domestic | Amount | Percent |
| Number of institutions | 1,846 | 1,758 | (88) | (4.77) |
| Total assets | \$5,946,325 | \$6,567,704 | \$621,379 | 10.45 |
| Cash and balances due from depositories | 247,766 | 255,169 | 7,403 | 2.99 |
| Noninterest-bearing balances, currency and coin | 170,807 | 170,714 | (94) | (0.05) |
| Interest bearing balances | 76,959 | 84,455 | 7,496 | 9.74 |
| Securities | 937,653 | 988,174 | 50,521 | 5.39 |
| Held-to-maturity securities, amortized cost | 37,267 | 37,791 | 524 | 1.41 |
| Available-for-sale securities, fair value | 900,386 | 950,383 | 49,998 | 5.55 |
| Federal funds sold and securities purchased | 355,747 | 459,985 | 104,238 | 29.30 |
| Net loans and leases | 3,328,972 | 3,615,461 | 286,489 | 8.61 |
| Total loans and leases | 3,375,618 | 3,659,185 | 283,567 | 8.40 |
| Loans and leases, gross | 3,377,548 | 3,660,250 | 282,702 | 8.37 |
| Less: Unearned income | 1,930 | 1,065 | (865) | (44.80) |
| Less: Reserve for losses | 46,647 | 43,724 | (2,922) | (6.26) |
| Assets held in trading account | 489,337 | 547,290 | 57,953 | 11.84 |
| Other real estate owned | 1,626 | 2,419 | 793 | 48.75 |
| Intangible assets | 229,498 | 276,905 | 47,408 | 20.66 |
| All other assets | 355,727 | 422,301 | 66,574 | 18.71 |
| Total liabilities and equity capital | 5,946,325 | 6,567,704 | 621,379 | 10.45 |
| Deposits in domestic offices | 3,012,886 | 3,174,352 | 161,466 | 5.36 |
| Deposits in foreign offices | 747,606 | 931,399 | 183,793 | 24.58 |
| Total deposits | 3,760,492 | 4,105,751 | 345,259 | 9.18 |
| Noninterest-bearing deposits | 809,936 | 785,603 | (24,333) | (3.00) |
| Interest-bearing deposits | 2,950,556 | 3,320,148 | 369,592 | 12.53 |
| Federal funds purchased and securities sold | 489,517 | 607,932 | 118,415 | 24.19 |
| Other borrowed money | 552,191 | 569,986 | 17,795 | 3.22 |
| Trading liabilities less revaluation losses | 123,942 | 134,315 | 10,373 | 8.37 |
| Subordinated notes and debentures | 96,852 | 114,090 | 17,239 | 17.80 |
| All other liabilities | 337,727 | 375,653 | 37,926 | 11.23 |
| Trading liabilities revaluation losses | 136,495 | 135,818 | (677) | (0.50) |
| Other | 201,232 | 239,835 | 38,603 | 19.18 |
| Total equity capital | 585,605 | 659,976 | 74,371 | 12.70 |
| Perpetual preferred stock | 3,316 | 1,342 | (1,974) | (59.53) |
| Common stock | 14,362 | 14,262 | (99) | (0.69) |
| Surplus | 360,341 | 412,227 | 51,887 | 14.40 |
| Retained earnings and other comprehensive income | 197,296 | 220,515 | 23,219 | 11.77 |
| Other equity capital components | (153) | (36) | 117 | NM |

NM indicates calculated percent change is not meaningful.

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | Third quarter 2005 | Third quarter 2006 | Change Third quarter 2005– third quarter 2006 fully consolidated | |
|--|---|---|---|----------------|
| | Consolidated foreign and domestic | Consolidated foreign and domestic | Amount | Percent |
| Number of institutions | 1,846 | 1,758 | (88) | (4.77) |
| Net income | \$19,347 | \$21,482 | \$2,135 | 11.04 |
| Net interest income | 43,058 | 45,501 | 2,444 | 5.68 |
| Total interest income | 72,795 | 92,337 | 19,542 | 26.85 |
| On loans | 54,392 | 67,361 | 12,969 | 23.84 |
| From lease financing receivables | 1,290 | 1,312 | 21 | 1.65 |
| On balances due from depositories | 812 | 1,430 | 618 | 76.01 |
| On securities | 10,413 | 13,328 | 2,915 | 27.99 |
| From assets held in trading account | 3,099 | 4,037 | 937 | 30.23 |
| On federal funds sold and securities repurchased | 2,362 | 4,413 | 2,051 | 86.80 |
| Less: Interest expense | 29,737 | 46,836 | 17,098 | 57.50 |
| On deposits | 18,145 | 29,569 | 11,424 | 62.96 |
| Of federal funds purchased and securities sold | 3,963 | 6,978 | 3,016 | 76.11 |
| On demand notes and other borrowed money* | 6,211 | 8,401 | 2,190 | 35.27 |
| On subordinated notes and debentures | 1,419 | 1,887 | 469 | 33.03 |
| Less: Provision for losses | 6,419 | 4,556 | (1,863) | (29.03) |
| Noninterest income | 39,131 | 40,672 | 1,541 | 3.94 |
| From fiduciary activities | 3,203 | 3,241 | 37 | 1.16 |
| Service charges on deposits | 6,252 | 6,625 | 373 | 5.96 |
| Trading revenue | 4,400 | 4,180 | (221) | (5.01) |
| From interest rate exposures | 2,136 | 481 | (1,656) | NM |
| From foreign exchange exposures | 997 | 1,292 | 295 | 29.61 |
| From equity security and index exposures | 802 | 1,542 | 740 | NM |
| From commodity and other exposures | 508 | 782 | 274 | NM |
| Investment banking brokerage fees | 1,963 | 2,574 | 611 | 31.11 |
| Venture capital revenue | 274 | 20 | (254) | NM |
| Net servicing fees | 3,624 | 2,924 | (699) | (19.30) |
| Net securitization income | 4,832 | 5,494 | 662 | 13.69 |
| Insurance commissions and fees | 613 | 656 | 42 | 6.90 |
| Insurance and reinsurance underwriting income | 88 | 61 | (27) | (30.54) |
| Income from other insurance activities | 526 | 595 | 69 | 13.16 |
| Net gains on asset sales | 1,006 | 2,485 | 1,479 | NM |
| Sales of loans and leases | 599 | 1,742 | 1,143 | NM |
| Sales of other real estate owned | 20 | 26 | 6 | 32.45 |
| Sales of other assets(excluding securities) | 387 | 717 | 329 | 85.08 |
| Other noninterest income | 12,962 | 12,474 | (488) | (3.77) |
| Gains/losses on securities | 124 | (326) | (451) | NM |
| Less: Noninterest expense | 47,041 | 49,653 | 2,612 | 5.55 |
| Salaries and employee benefits | 20,766 | 22,246 | 1,480 | 7.12 |
| Of premises and fixed assets | 5,993 | 6,022 | 29 | 0.49 |
| Goodwill impairment losses | 1 | 0 | (0) | NM |
| Amortization expense and impairment losses | 1,503 | 1,575 | 72 | 4.79 |
| Other noninterest expense | 18,779 | 19,810 | 1,031 | 5.49 |
| Less: Taxes on income before extraordinary items | 9,496 | 10,229 | 733 | 7.72 |
| Income/loss from extraordinary items, net of income taxes | (10) | 73 | 83 | NM |
| Memoranda: | | | | |
| Net operating income | 19,250 | 21,631 | 2,381 | 12.37 |
| Income before taxes and extraordinary items | 28,853 | 31,638 | 2,785 | 9.65 |
| Income net of taxes before extraordinary items | 19,357 | 21,409 | 2,052 | 10.60 |
| Cash dividends declared | 13,336 | 11,713 | (1,623) | (12.17) |
| Net charge-offs to loan and lease reserve | 6,200 | 4,810 | (1,390) | (22.42) |
| Charge-offs to loan and lease reserve | 8,140 | 6,444 | (1,696) | (20.84) |
| Less: Recoveries credited to loan and lease reserve | 1,940 | 1,634 | (306) | (15.77) |

* Includes mortgage indebtedness

NM indicates calculated percent change is not meaningful.

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | September 30, 2005 | September 30, 2006 | Change September 30, 2005– September 30, 2006 fully consolidated | |
|--|---|---|---|-----------------|
| | Consolidated foreign and domestic | Consolidated foreign and domestic | Amount | Percent |
| Number of institutions | 1,846 | 1,758 | (88) | (4.77) |
| Net income | \$56,703 | \$64,112 | \$7,409 | 13.07 |
| Net interest income | 127,569 | 134,488 | 6,920 | 5.42 |
| Total interest income | 205,721 | 261,153 | 55,432 | 26.95 |
| On loans | 152,471 | 191,022 | 38,550 | 25.28 |
| From lease financing receivables | 4,050 | 3,957 | (93) | (2.30) |
| On balances due from depositories | 2,289 | 3,907 | 1,618 | 70.69 |
| On securities | 30,729 | 37,788 | 7,059 | 22.97 |
| From assets held in trading account | 9,206 | 11,385 | 2,179 | 23.67 |
| On federal funds sold and securities repurchased | 5,713 | 11,810 | 6,097 | 106.73 |
| Less: Interest expense | 78,152 | 126,665 | 48,513 | 62.07 |
| On deposits | 47,451 | 78,720 | 31,269 | 65.90 |
| Of federal funds purchased and securities sold | 9,615 | 18,788 | 9,174 | 95.41 |
| On demand notes and other borrowed money* | 17,054 | 23,820 | 6,767 | 39.68 |
| On subordinated notes and debentures | 4,033 | 5,336 | 1,303 | 32.31 |
| Less: Provision for losses | 14,992 | 12,638 | (2,355) | (15.70) |
| Noninterest income | 111,692 | 122,490 | 10,797 | 9.67 |
| From fiduciary activities | 9,527 | 9,955 | 428 | 4.49 |
| Service charges on deposits | 17,735 | 18,999 | 1,264 | 7.13 |
| Trading revenue | 10,412 | 14,330 | 3,918 | 37.63 |
| From interest rate exposures | 4,057 | 3,308 | (749) | (18.47) |
| From foreign exchange exposures | 3,721 | 5,275 | 1,554 | 41.77 |
| From equity security and index exposures | 1,739 | 4,203 | 2,464 | 141.70 |
| From commodity and other exposures | 886 | 1,381 | 495 | 55.86 |
| Investment banking brokerage fees | 6,068 | 7,489 | 1,420 | 23.41 |
| Venture capital revenue | 530 | 167 | (363) | (68.43) |
| Net servicing fees | 9,489 | 9,090 | (399) | (4.20) |
| Net securitization income | 14,205 | 15,787 | 1,581 | 11.13 |
| Insurance commissions and fees | 1,887 | 1,870 | (17) | (0.91) |
| Insurance and reinsurance underwriting income | 390 | 226 | (164) | (42.06) |
| Income from other insurance activities | 1,497 | 1,644 | 147 | 9.81 |
| Net gains on asset sales | 3,593 | 5,365 | 1,772 | 49.32 |
| Sales of loans and leases | 2,683 | 4,070 | 1,388 | 51.73 |
| Sales of other real estate owned | 67 | 70 | 2 | 3.62 |
| Sales of other assets(excluding securities) | 843 | 1,225 | 382 | 45.28 |
| Other noninterest income | 38,246 | 39,438 | 1,192 | 3.12 |
| Gains/losses on securities | 693 | (1,108) | (1,801) | (259.97) |
| Less: Noninterest expense | 140,529 | 148,245 | 7,717 | 5.49 |
| Salaries and employee benefits | 61,076 | 66,966 | 5,889 | 9.64 |
| Of premises and fixed assets | 17,897 | 17,974 | 77 | 0.43 |
| Goodwill impairment losses | 3 | 1 | (2) | (65.86) |
| Amortization expense and impairment losses | 4,596 | 4,836 | 240 | 5.22 |
| Other noninterest expense | 56,955 | 58,468 | 1,513 | 2.66 |
| Less: Taxes on income before extraordinary items | 27,712 | 31,261 | 3,549 | 12.81 |
| Income/loss from extraordinary items, net of income taxes | (17) | 387 | 404 | NM |
| Memoranda: | | | | |
| Net operating income | 56,242 | 64,442 | 8,200 | 14.58 |
| Income before taxes and extraordinary items | 84,433 | 94,986 | 10,554 | 12.50 |
| Income net of taxes before extraordinary items | 56,720 | 63,725 | 7,005 | 12.35 |
| Cash dividends declared | 33,087 | 32,034 | (1,054) | (3.18) |
| Net charge-offs to loan and lease reserve | 16,010 | 12,725 | (3,284) | (20.51) |
| Charge-offs to loan and lease reserve | 21,491 | 17,657 | (3,834) | (17.84) |
| Less: Recoveries credited to loan and lease reserve | 5,482 | 4,932 | (549) | (10.02) |

* Includes mortgage indebtedness

NM indicates calculated percent change is not meaningful.

FINANCIAL PERFORMANCE OF NATIONAL BANKS

Assets of national banks by asset size
September 30, 2006
(Dollar figures in millions)

| | All national banks | National banks | | | | Memoranda: All commercial banks |
|--|--------------------|-------------------------|------------------------------|-----------------------------|---------------------------|---------------------------------|
| | | Less than \$100 million | \$100 million to \$1 billion | \$1 billion to \$10 billion | Greater than \$10 billion | |
| Number of institutions reporting | 1,758 | 653 | 931 | 129 | 45 | 7,450 |
| Total assets | \$6,567,704 | \$37,177 | \$267,554 | \$371,217 | \$5,891,756 | \$9,765,433 |
| Cash and balances due from | 255,169 | 1,900 | 9,278 | 14,205 | 229,785 | 393,047 |
| Securities | 988,174 | 9,703 | 59,483 | 70,161 | 848,827 | 1,632,917 |
| Federal funds sold and securities purchased | 459,985 | 1,805 | 8,103 | 24,450 | 425,627 | 544,448 |
| Net loans and leases | 3,615,461 | 21,919 | 174,014 | 233,484 | 3,186,043 | 5,666,141 |
| Total loans and leases | 3,659,185 | 22,227 | 176,213 | 236,349 | 3,224,396 | 5,735,410 |
| Loans and leases, gross | 3,660,250 | 22,243 | 176,365 | 236,506 | 3,225,136 | 5,737,543 |
| Less: Unearned income | 1,065 | 17 | 152 | 157 | 740 | 2,133 |
| Less: Reserve for losses | 43,724 | 308 | 2,199 | 2,865 | 38,353 | 69,269 |
| Assets held in trading account | 547,290 | 1 | 131 | 549 | 546,609 | 589,429 |
| Other real estate owned | 2,419 | 43 | 252 | 154 | 1,970 | 4,249 |
| Intangible assets | 276,905 | 131 | 3,539 | 10,997 | 262,238 | 345,961 |
| All other assets | 422,301 | 1,674 | 12,754 | 17,218 | 390,655 | 589,240 |
| Gross loans and leases by type: | | | | | | |
| Loans secured by real estate | 1,878,769 | 13,914 | 127,095 | 155,888 | 1,581,871 | 3,207,082 |
| 1- to 4-family residential mortgages | 882,991 | 5,313 | 38,162 | 41,758 | 797,758 | 1,288,645 |
| Home equity loans | 340,455 | 457 | 6,549 | 9,915 | 323,534 | 447,588 |
| Multifamily residential mortgages | 42,673 | 287 | 4,105 | 8,237 | 30,044 | 99,089 |
| Commercial RE loans | 348,701 | 4,441 | 49,486 | 53,916 | 240,858 | 786,481 |
| Construction RE loans | 195,844 | 1,605 | 22,364 | 37,379 | 134,497 | 475,682 |
| Farmland loans | 16,733 | 1,812 | 6,428 | 2,988 | 5,505 | 51,285 |
| RE loans from foreign offices | 51,371 | 0 | 1 | 1,694 | 49,675 | 58,311 |
| Commercial and industrial loans | 745,911 | 3,474 | 26,710 | 49,535 | 666,193 | 1,117,208 |
| Loans to individuals | 618,923 | 2,146 | 12,959 | 19,810 | 584,008 | 846,885 |
| Credit cards | 265,731 | 69 | 1,658 | 4,015 | 259,989 | 338,221 |
| Other revolving credit plans | 39,154 | 35 | 408 | 763 | 37,948 | 44,840 |
| Installment loans | 314,038 | 2,042 | 10,893 | 15,032 | 286,071 | 463,824 |
| All other loans and leases | 416,647 | 2,710 | 9,601 | 11,273 | 393,064 | 566,369 |
| Securities by type: | | | | | | |
| U.S. Treasury securities | 22,480 | 355 | 1,226 | 1,853 | 19,046 | 43,632 |
| Mortgage-backed securities | 624,801 | 1,911 | 19,945 | 33,598 | 569,347 | 934,022 |
| Pass-through securities | 481,213 | 1,478 | 13,282 | 16,702 | 449,751 | 626,270 |
| Collateralized mortgage obligations | 143,588 | 433 | 6,663 | 16,896 | 119,597 | 307,752 |
| Other securities | 284,125 | 7,437 | 38,003 | 33,872 | 204,812 | 562,430 |
| Other U.S. government securities | 82,837 | 5,653 | 23,995 | 21,144 | 32,045 | 268,799 |
| State and local government securities | 64,445 | 1,604 | 12,050 | 8,332 | 42,459 | 128,841 |
| Other debt securities | 127,604 | 106 | 1,423 | 3,785 | 122,289 | 148,950 |
| Equity securities | 9,239 | 75 | 534 | 612 | 8,019 | 15,840 |
| Memoranda: | | | | | | |
| Agricultural production loans | 21,197 | 2,333 | 5,948 | 2,643 | 10,272 | 54,175 |
| Pledged securities | 588,710 | 4,132 | 30,123 | 40,485 | 513,971 | 945,182 |
| Book value of securities | 989,369 | 9,810 | 60,048 | 70,820 | 848,692 | 1,639,487 |
| Available-for-sale securities | 951,579 | 8,440 | 53,050 | 63,499 | 826,589 | 1,516,402 |
| Held-to-maturity securities | 37,791 | 1,370 | 6,998 | 7,320 | 22,103 | 123,085 |
| Market value of securities | 987,864 | 9,689 | 59,424 | 70,131 | 848,620 | 1,631,628 |
| Available-for-sale securities | 950,383 | 8,334 | 52,485 | 62,840 | 826,724 | 1,509,832 |
| Held-to-maturity securities | 37,480 | 1,356 | 6,939 | 7,290 | 21,896 | 121,796 |

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | All national banks | National banks | | | | Memoranda: All commercial banks |
|---|--------------------|-------------------------|------------------------------|-----------------------------|---------------------------|---------------------------------|
| | | Less than \$100 million | \$100 million to \$1 billion | \$1 billion to \$10 billion | Greater than \$10 billion | |
| Number of institutions reporting | 1,758 | 653 | 931 | 129 | 45 | 7,450 |
| Loans and leases past due 30-89 days | \$32,822 | \$275 | \$1,567 | \$1,676 | \$29,304 | \$49,890 |
| Loans secured by real estate | 15,259 | 165 | 1,056 | 829 | 13,210 | 25,404 |
| 1- to 4-family residential mortgages | 9,820 | 83 | 439 | 252 | 9,045 | 14,032 |
| Home equity loans | 2,080 | 4 | 42 | 44 | 1,990 | 2,691 |
| Multifamily residential mortgages | 227 | 4 | 24 | 65 | 134 | 501 |
| Commercial RE loans | 1,270 | 42 | 318 | 220 | 690 | 3,912 |
| Construction RE loans | 1,345 | 20 | 200 | 235 | 890 | 3,407 |
| Farmland loans | 81 | 13 | 32 | 12 | 24 | 292 |
| RE loans from foreign offices | 436 | 0 | 0 | 0 | 436 | 569 |
| Commercial and industrial loans | 3,958 | 48 | 258 | 551 | 3,101 | 6,476 |
| Loans to individuals | 11,922 | 48 | 210 | 252 | 11,411 | 15,627 |
| Credit cards | 6,184 | 2 | 46 | 73 | 6,063 | 7,528 |
| Installment loans and other plans | 5,738 | 46 | 164 | 179 | 5,349 | 8,099 |
| All other loans and leases | 1,683 | 14 | 43 | 44 | 1,581 | 2,383 |
| Loans and leases past due 90+ days | 14,182 | 53 | 303 | 299 | 13,527 | 17,984 |
| Loans secured by real estate | 5,515 | 29 | 198 | 106 | 5,182 | 7,480 |
| 1- to 4-family residential mortgages | 4,962 | 16 | 69 | 47 | 4,829 | 5,951 |
| Home equity loans | 189 | 0 | 4 | 5 | 179 | 290 |
| Multifamily residential mortgages | 11 | 0 | 3 | 4 | 5 | 61 |
| Commercial RE loans | 190 | 5 | 62 | 33 | 90 | 653 |
| Construction RE loans | 141 | 2 | 48 | 16 | 75 | 427 |
| Farmland loans | 21 | 4 | 12 | 1 | 4 | 88 |
| RE loans from foreign offices | 0 | 0 | 0 | 0 | 0 | 10 |
| Commercial and industrial loans | 1,052 | 12 | 48 | 118 | 875 | 1,556 |
| Loans to individuals | 7,442 | 7 | 44 | 67 | 7,324 | 8,662 |
| Credit cards | 5,142 | 0 | 24 | 45 | 5,073 | 6,046 |
| Installment loans and other plans | 2,300 | 7 | 20 | 22 | 2,251 | 2,616 |
| All other loans and leases | 173 | 5 | 13 | 9 | 146 | 286 |
| Nonaccrual loans and leases | 14,362 | 166 | 965 | 1,119 | 12,112 | 24,256 |
| Loans secured by real estate | 8,877 | 100 | 698 | 784 | 7,295 | 15,164 |
| 1- to 4-family residential mortgages | 4,311 | 33 | 197 | 153 | 3,928 | 6,516 |
| Home equity loans | 920 | 1 | 15 | 25 | 879 | 1,128 |
| Multifamily residential mortgages | 204 | 1 | 19 | 56 | 128 | 365 |
| Commercial RE loans | 1,719 | 45 | 305 | 336 | 1,032 | 4,042 |
| Construction RE loans | 912 | 10 | 125 | 198 | 578 | 2,039 |
| Farmland loans | 112 | 10 | 36 | 16 | 50 | 305 |
| RE loans from foreign offices | 700 | 0 | 0 | 0 | 700 | 769 |
| Commercial and industrial loans | 3,702 | 42 | 204 | 273 | 3,183 | 6,434 |
| Loans to individuals | 1,121 | 8 | 30 | 41 | 1,042 | 1,701 |
| Credit cards | 275 | 0 | 5 | 16 | 254 | 503 |
| Installment loans and other plans | 845 | 8 | 25 | 24 | 788 | 1,199 |
| All other loans and leases | 712 | 16 | 32 | 23 | 640 | 1,035 |

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | All national banks | National banks | | | | Memoranda: All commercial banks |
|--|--------------------|-------------------------|------------------------------|-----------------------------|---------------------------|---------------------------------|
| | | Less than \$100 million | \$100 million to \$1 billion | \$1 billion to \$10 billion | Greater than \$10 billion | |
| Number of institutions reporting | 1,758 | 653 | 931 | 129 | 45 | 7,450 |
| Total liabilities and equity capital | 6,567,704 | 37,177 | 267,554 | 371,217 | 5,891,756 | 9,765,433 |
| Deposits in domestic offices | 3,174,352 | 30,591 | 215,742 | 255,585 | 2,672,434 | 5,322,921 |
| Deposits in foreign offices | 931,399 | 14 | 214 | 3,006 | 928,165 | 1,103,562 |
| Total deposits | 4,105,751 | 30,605 | 215,956 | 258,592 | 3,600,599 | 6,426,483 |
| Noninterest bearing | 785,603 | 5,731 | 36,093 | 43,380 | 700,400 | 1,145,934 |
| Interest bearing | 3,320,148 | 24,874 | 179,863 | 215,212 | 2,900,199 | 5,280,549 |
| Federal funds purchased and securities sold | 607,932 | 525 | 7,465 | 26,170 | 573,772 | 806,065 |
| Other borrowed funds | 569,986 | 1,082 | 12,417 | 37,485 | 519,002 | 800,864 |
| Trading liabilities less revaluation losses | 134,315 | 0 | 0 | 145 | 134,170 | 134,823 |
| Subordinated notes and debentures | 114,090 | 0 | 208 | 1,449 | 112,433 | 136,157 |
| All other liabilities | 375,653 | 304 | 2,829 | 6,265 | 366,255 | 448,974 |
| Equity capital | 659,976 | 4,660 | 28,679 | 41,113 | 585,525 | 1,012,067 |
| Total deposits by depositor: | | | | | | |
| Individuals and corporations | 3,314,709 | 18,719 | 156,802 | 211,990 | 2,927,198 | 5,197,500 |
| U.S., state, and local governments | 150,364 | 2,815 | 16,076 | 17,041 | 114,432 | 277,177 |
| Depositories in the United States | 80,056 | 364 | 3,061 | 3,630 | 73,002 | 115,719 |
| Foreign banks and governments | 235,953 | 1 | 213 | 195 | 235,544 | 265,210 |
| Domestic deposits by depositor: | | | | | | |
| Individuals and corporations | 2,634,948 | 18,707 | 156,694 | 209,075 | 2,250,472 | 4,379,972 |
| U.S., state, and local governments | 150,364 | 2,815 | 16,076 | 17,041 | 114,432 | 277,177 |
| Depositories in the United States | 39,997 | 364 | 3,061 | 3,630 | 32,943 | 65,770 |
| Foreign banks and governments | 24,740 | 1 | 107 | 105 | 24,527 | 29,565 |
| Foreign deposits by depositor: | | | | | | |
| Individuals and corporations | 679,761 | 12 | 108 | 2,916 | 676,726 | 817,528 |
| Depositories in the United States | 40,059 | 0 | 0 | 0 | 40,059 | 49,949 |
| Foreign banks and governments | 211,213 | 0 | 106 | 91 | 211,017 | 235,645 |
| Deposits in domestic offices by type: | | | | | | |
| Transaction deposits | 387,202 | 9,925 | 45,318 | 30,471 | 301,488 | 677,211 |
| Demand deposits | 294,849 | 5,570 | 27,562 | 22,902 | 238,814 | 489,997 |
| Savings deposits | 1,825,056 | 6,813 | 73,365 | 123,653 | 1,621,225 | 2,770,659 |
| Money market deposit accounts | 1,385,421 | 3,648 | 41,710 | 93,806 | 1,246,258 | 2,084,617 |
| Other savings deposits | 439,634 | 3,165 | 31,655 | 29,847 | 374,967 | 686,041 |
| Time deposits | 962,095 | 13,853 | 97,059 | 101,462 | 749,721 | 1,875,052 |
| Small time deposits | 418,849 | 8,617 | 54,656 | 48,973 | 306,603 | 850,956 |
| Large time deposits | 543,245 | 5,235 | 42,404 | 52,488 | 443,118 | 1,024,096 |

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | All national banks | National banks | | | | Memoranda: All commercial banks |
|--|--------------------|-------------------------|------------------------------|-----------------------------|---------------------------|---------------------------------|
| | | Less than \$100 million | \$100 million to \$1 billion | \$1 billion to \$10 billion | Greater than \$10 billion | |
| Number of institutions reporting | 1,758 | 653 | 931 | 129 | 45 | 7,450 |
| Unused commitments | \$5,275,208 | \$23,792 | \$189,797 | \$745,477 | \$4,316,142 | \$6,745,790 |
| Home equity lines | 406,494 | 357 | 6,190 | 11,579 | 388,368 | 522,588 |
| Credit card lines | 3,206,069 | 20,377 | 152,603 | 673,276 | 2,359,814 | 3,830,454 |
| Commercial RE, construction and land | 185,515 | 861 | 11,762 | 25,720 | 147,172 | 348,371 |
| All other unused commitments | 1,477,131 | 2,198 | 19,243 | 34,903 | 1,420,788 | 2,044,378 |
| Letters of credit: | | | | | | |
| Standby letters of credit | 318,040 | 110 | 1,762 | 5,313 | 310,855 | 412,341 |
| Financial letters of credit | 268,966 | 65 | 1,086 | 3,655 | 264,160 | 353,488 |
| Performance letters of credit | 49,073 | 45 | 675 | 1,658 | 46,695 | 58,852 |
| Commercial letters of credit | 25,497 | 23 | 240 | 791 | 24,442 | 29,726 |
| Securities lent | 661,248 | 15 | 45 | 1,412 | 659,775 | 1,704,621 |
| Spot foreign exchange contracts | 866,890 | 0 | 2 | 223 | 866,665 | 916,874 |
| Credit derivatives (notional value) | | | | | | |
| Reporting bank is the guarantor | 3,952,652 | 0 | 5 | 23 | 3,952,624 | 3,953,632 |
| Reporting bank is the beneficiary | 3,926,386 | 0 | 0 | 38 | 3,926,348 | 3,950,399 |
| Derivative contracts (notional value) | 124,116,807 | 24 | 3,543 | 20,824 | 124,092,415 | 126,175,652 |
| Futures and forward contracts | 13,676,731 | 5 | 1,058 | 3,035 | 13,672,632 | 14,482,300 |
| Interest rate contracts | 8,244,576 | 5 | 1,048 | 1,869 | 8,241,653 | 8,392,713 |
| Foreign exchange contracts | 5,109,525 | 0 | 9 | 1,165 | 5,108,351 | 5,766,085 |
| All other futures and forwards | 322,630 | 0 | 1 | 1 | 322,629 | 323,502 |
| Option contracts | 25,731,314 | 15 | 1,256 | 3,771 | 25,726,272 | 26,245,895 |
| Interest rate contracts | 19,657,493 | 13 | 1,210 | 2,947 | 19,653,322 | 20,097,660 |
| Foreign exchange contracts | 3,170,312 | 0 | 0 | 457 | 3,169,855 | 3,213,671 |
| All other options | 2,903,510 | 2 | 46 | 367 | 2,903,094 | 2,934,563 |
| Swaps | 76,829,724 | 4 | 1,224 | 13,957 | 76,814,539 | 77,543,426 |
| Interest rate contracts | 73,998,658 | 4 | 1,208 | 13,710 | 73,983,736 | 74,694,495 |
| Foreign exchange contracts | 2,322,262 | 0 | 0 | 20 | 2,322,242 | 2,330,177 |
| All other swaps | 508,804 | 0 | 15 | 227 | 508,561 | 518,754 |
| Memoranda: Derivatives by purpose | | | | | | |
| Contracts held for trading | 113,537,798 | 6 | 28 | 6,926 | 113,530,839 | 115,273,950 |
| Contracts not held for trading | 2,699,971 | 19 | 3,511 | 13,837 | 2,682,605 | 2,997,671 |
| Memoranda: Derivatives by position | | | | | | |
| Held for trading—positive fair value | 1,124,492 | 0 | 0 | 43 | 1,124,449 | 1,137,266 |
| Held for trading—negative fair value | 1,108,020 | 0 | 0 | 39 | 1,107,981 | 1,122,024 |
| Not for trading—positive fair value | 9,600 | 1 | 17 | 58 | 9,523 | 11,692 |
| Not for trading—negative fair value | 8,654 | 0 | 23 | 134 | 8,497 | 11,043 |

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | All national banks | National banks | | | | Memoranda: All commercial banks |
|---|--------------------------|-------------------------------|------------------------------------|-----------------------------------|---------------------------------|--|
| | | Less than \$100 million | \$100 million to \$1 billion | \$1 billion to \$10 billion | Greater than \$10 billion | |
| Number of institutions reporting | 1,758 | 653 | 931 | 129 | 45 | 7,450 |
| Net income | \$21,482 | \$112 | \$865 | \$1,447 | \$19,059 | \$32,468 |
| Net interest income | 45,501 | 367 | 2,519 | 3,095 | 39,521 | 72,599 |
| Total interest income | 92,337 | 579 | 4,255 | 5,867 | 81,635 | 142,010 |
| On loans | 67,361 | 442 | 3,441 | 4,477 | 59,001 | 106,448 |
| From lease financing receivables | 1,312 | 2 | 17 | 60 | 1,234 | 1,837 |
| On balances due from depositories | 1,430 | 7 | 23 | 65 | 1,336 | 2,046 |
| On securities | 13,328 | 103 | 651 | 827 | 11,748 | 20,735 |
| From assets held in trading account | 4,037 | 0 | 2 | 9 | 4,025 | 4,427 |
| On fed. funds sold & securities repurchased | 4,413 | 24 | 102 | 386 | 3,901 | 5,336 |
| Less: Interest expense | 46,836 | 213 | 1,737 | 2,772 | 42,115 | 69,412 |
| On deposits | 29,569 | 194 | 1,497 | 1,911 | 25,968 | 46,689 |
| Of federal funds purchased & securities sold | 6,978 | 6 | 86 | 292 | 6,593 | 9,313 |
| On demand notes & other borrowed money* | 8,401 | 13 | 150 | 546 | 7,692 | 11,186 |
| On subordinated notes and debentures | 1,887 | 0 | 4 | 22 | 1,861 | 2,224 |
| Less: Provision for losses | 4,556 | 15 | 121 | 163 | 4,255 | 6,610 |
| Noninterest income | 40,672 | 163 | 1,195 | 2,359 | 36,954 | 56,565 |
| From fiduciary activities | 3,241 | 24 | 171 | 401 | 2,645 | 6,214 |
| Service charges on deposits | 6,625 | 42 | 322 | 331 | 5,930 | 9,356 |
| Trading revenue | 4,180 | 0 | 2 | 12 | 4,165 | 4,621 |
| From interest rate exposures | 481 | 0 | 2 | 4 | 474 | 555 |
| From foreign exchange exposures | 1,292 | 0 | 0 | 1 | 1,291 | 1,355 |
| From equity security and index exposures | 1,542 | 0 | 0 | 0 | 1,542 | 1,830 |
| From commodity and other exposures | 782 | 0 | 0 | (0) | 782 | 789 |
| Investment banking brokerage fees | 2,574 | 1 | 20 | 46 | 2,507 | 3,012 |
| Venture capital revenue | 20 | 0 | (0) | 1 | 18 | 21 |
| Net servicing fees | 2,924 | 30 | 96 | 114 | 2,684 | 3,567 |
| Net securitization income | 5,494 | 0 | 145 | 28 | 5,321 | 6,832 |
| Insurance commissions and fees | 656 | 10 | 18 | 35 | 593 | 1,152 |
| Insurance and reinsurance underwriting income | 61 | 0 | 0 | 1 | 60 | 82 |
| Income from other insurance activities | 595 | 10 | 18 | 34 | 533 | 1,069 |
| Net gains on asset sales | 2,485 | 5 | 66 | 609 | 1,805 | 3,062 |
| Sales of loans and leases | 1,742 | 4 | 61 | 581 | 1,096 | 2,213 |
| Sales of other real estate owned | 26 | (0) | 1 | 13 | 12 | 26 |
| Sales of other assets(excluding securities) | 717 | 1 | 3 | 15 | 698 | 823 |
| Other noninterest income | 12,474 | 52 | 356 | 781 | 11,285 | 18,728 |
| Gains/losses on securities | (326) | (1) | (8) | (4) | (313) | (461) |
| Less: Noninterest expense | 49,653 | 387 | 2,429 | 3,159 | 43,678 | 74,302 |
| Salaries and employee benefits | 22,246 | 195 | 1,197 | 1,373 | 19,482 | 33,604 |
| Of premises and fixed assets | 6,022 | 44 | 300 | 322 | 5,356 | 9,052 |
| Goodwill impairment losses | 0 | 0 | 0 | 0 | 0 | 3 |
| Amortization expense and impairment losses | 1,575 | 1 | 27 | 101 | 1,446 | 1,850 |
| Other noninterest expense | 19,810 | 147 | 906 | 1,363 | 17,394 | 29,794 |
| Less: Taxes on income before extraord. items | 10,229 | 15 | 300 | 681 | 9,234 | 15,437 |
| Income/loss from extraord. items, net of taxes | 387 | 6 | 25 | 0 | 356 | 536 |
| Memoranda: | | | | | | |
| Net operating income | 21,631 | 113 | 862 | 1,451 | 19,205 | 32,666 |
| Income before taxes and extraordinary items | 31,638 | 127 | 1,156 | 2,127 | 28,228 | 47,790 |
| Income net of taxes before extraordinary items | 21,409 | 112 | 856 | 1,447 | 18,994 | 32,354 |
| Cash dividends declared | 11,713 | 47 | 464 | 1,339 | 9,863 | 16,744 |
| Net loan and lease losses | 4,810 | 9 | 73 | 132 | 4,596 | 6,179 |
| Charge-offs to loan and lease reserve | 6,444 | 13 | 106 | 193 | 6,132 | 8,351 |
| Less: Recoveries credited to loan & lease resv. | 1,634 | 4 | 34 | 61 | 1,535 | 2,171 |

* Includes mortgage indebtedness

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | All national banks | National banks | | | | Memoranda: All commercial banks |
|---|--------------------|-------------------------|------------------------------|-----------------------------|---------------------------|---------------------------------|
| | | Less than \$100 million | \$100 million to \$1 billion | \$1 billion to \$10 billion | Greater than \$10 billion | |
| Number of institutions reporting | 1,758 | 653 | 931 | 129 | 45 | 7,450 |
| Net income | \$64,112 | \$318 | \$2,539 | \$4,184 | \$57,071 | \$96,748 |
| Net interest income | 134,488 | 1,075 | 7,388 | 9,226 | 116,799 | 214,740 |
| Total interest income | 261,153 | 1,648 | 12,043 | 16,613 | 230,848 | 401,793 |
| On loans | 191,022 | 1,247 | 9,679 | 12,809 | 167,286 | 300,428 |
| From lease financing receivables | 3,957 | 5 | 47 | 167 | 3,738 | 5,569 |
| On balances due from depositories | 3,907 | 21 | 67 | 175 | 3,644 | 5,614 |
| On securities | 37,788 | 299 | 1,879 | 2,365 | 33,246 | 59,261 |
| From assets held in trading account | 11,385 | 0 | 8 | 24 | 11,353 | 13,279 |
| On fed. funds sold & securities repurchased | 11,810 | 69 | 303 | 951 | 10,487 | 14,220 |
| Less: Interest expense | 126,665 | 573 | 4,655 | 7,388 | 114,049 | 187,053 |
| On deposits | 78,720 | 523 | 3,988 | 5,030 | 69,178 | 123,941 |
| Of federal funds purchased & securities sold | 18,788 | 16 | 235 | 818 | 17,719 | 25,292 |
| On demand notes & other borrowed money* | 23,820 | 34 | 420 | 1,477 | 21,889 | 31,523 |
| On subordinated notes and debentures | 5,336 | 0 | 11 | 62 | 5,263 | 6,297 |
| Less: Provision for losses | 12,638 | 39 | 335 | 461 | 11,803 | 17,551 |
| Noninterest income | 122,490 | 473 | 3,524 | 6,795 | 111,698 | 167,450 |
| From fiduciary activities | 9,955 | 70 | 505 | 1,209 | 8,172 | 18,922 |
| Service charges on deposits | 18,999 | 122 | 925 | 947 | 17,005 | 26,929 |
| Trading revenue | 14,330 | (0) | 6 | 25 | 14,299 | 15,110 |
| From interest rate exposures | 3,308 | 0 | 5 | 14 | 3,289 | 3,470 |
| From foreign exchange exposures | 5,275 | 0 | 0 | 3 | 5,271 | 6,337 |
| From equity security and index exposures | 4,203 | 0 | 0 | 0 | 4,203 | 3,736 |
| From commodity and other exposures | 1,381 | 0 | 0 | 0 | 1,380 | 1,375 |
| Investment banking brokerage fees | 7,489 | 2 | 62 | 132 | 7,293 | 8,961 |
| Venture capital revenue | 167 | 0 | (1) | 1 | 167 | 169 |
| Net servicing fees | 9,090 | 84 | 288 | 353 | 8,365 | 11,368 |
| Net securitization income | 15,787 | 0 | 437 | 112 | 15,237 | 19,878 |
| Insurance commissions and fees | 1,870 | 29 | 54 | 103 | 1,684 | 3,282 |
| Insurance and reinsurance underwriting income | 226 | 0 | 0 | 2 | 223 | 287 |
| Income from other insurance activities | 1,644 | 29 | 53 | 101 | 1,461 | 2,995 |
| Net gains on asset sales | 5,365 | 13 | 192 | 1,624 | 3,535 | 7,056 |
| Sales of loans and leases | 4,070 | 12 | 160 | 1,582 | 2,317 | 5,442 |
| Sales of other real estate owned | 70 | 0 | 10 | 20 | 39 | 116 |
| Sales of other assets(excluding securities) | 1,225 | 2 | 22 | 22 | 1,179 | 1,498 |
| Other noninterest income | 39,438 | 153 | 1,058 | 2,287 | 35,941 | 55,774 |
| Gains/losses on securities | (1,108) | (3) | (14) | (31) | (1,061) | (1,241) |
| Less: Noninterest expense | 148,245 | 1,132 | 7,143 | 9,337 | 130,632 | 220,497 |
| Salaries and employee benefits | 66,966 | 574 | 3,524 | 4,087 | 58,781 | 100,745 |
| Of premises and fixed assets | 17,974 | 129 | 877 | 944 | 16,025 | 26,737 |
| Goodwill impairment losses | 1 | 0 | 1 | 0 | 0 | 326 |
| Amortization expense and impairment losses | 4,836 | 4 | 74 | 292 | 4,466 | 5,676 |
| Other noninterest expense | 58,468 | 425 | 2,667 | 4,014 | 51,361 | 87,013 |
| Less: Taxes on income before extraord. items | 31,261 | 62 | 907 | 2,007 | 28,286 | 46,689 |
| Income/loss from extraord. items, net of taxes | 387 | 6 | 25 | 0 | 356 | 536 |
| Memoranda: | | | | | | |
| Net operating income | 64,442 | 314 | 2,525 | 4,205 | 57,397 | 97,022 |
| Income before taxes and extraordinary items | 94,986 | 374 | 3,421 | 6,191 | 85,001 | 142,900 |
| Income net of taxes before extraordinary items | 63,725 | 312 | 2,514 | 4,184 | 56,715 | 96,211 |
| Cash dividends declared | 32,034 | 155 | 1,370 | 2,897 | 27,612 | 50,032 |
| Net loan and lease losses | 12,725 | 22 | 203 | 438 | 12,062 | 16,366 |
| Charge-offs to loan and lease reserve | 17,657 | 38 | 305 | 633 | 16,682 | 22,988 |
| Less: Recoveries credited to loan & lease resv. | 4,932 | 16 | 101 | 195 | 4,620 | 6,622 |

* Includes mortgage indebtedness

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | All national banks | National banks | | | | Memoranda: All commercial banks |
|--|--------------------|-------------------------|------------------------------|-----------------------------|---------------------------|---------------------------------|
| | | Less than \$100 million | \$100 million to \$1 billion | \$1 billion to \$10 billion | Greater than \$10 billion | |
| Number of institutions reporting | 1,758 | 653 | 931 | 129 | 45 | 7,450 |
| Net charge-offs to loan and lease reserve | \$4,810 | \$9 | \$73 | \$132 | \$4,596 | \$6,179 |
| Loans secured by real estate | 368 | 2 | 11 | 18 | 337 | 583 |
| 1- to 4-family residential mortgages | 194 | 1 | 5 | 6 | 183 | 270 |
| Home equity loans | 127 | 0 | 0 | 2 | 125 | 168 |
| Multifamily residential mortgages | (5) | (0) | 0 | 2 | (7) | 3 |
| Commercial RE loans | 14 | 1 | 5 | 5 | 3 | 81 |
| Construction RE loans | 21 | 0 | 1 | 3 | 16 | 44 |
| Farmland loans | 2 | (0) | (0) | (0) | 2 | 1 |
| RE loans from foreign offices | 17 | 0 | 0 | 0 | 17 | 17 |
| Commercial and industrial loans | 499 | 3 | 17 | 57 | 421 | 748 |
| Loans to individuals | 3,839 | 3 | 40 | 46 | 3,750 | 4,664 |
| Credit cards | 2,696 | 0 | 26 | 25 | 2,646 | 3,274 |
| Installment loans and other plans | 1,142 | 3 | 14 | 21 | 1,104 | 1,390 |
| All other loans and leases | 105 | 1 | 5 | 11 | 88 | 185 |
| Charge-offs to loan and lease reserve | 6,444 | 13 | 106 | 193 | 6,132 | 8,351 |
| Loans secured by real estate | 502 | 2 | 18 | 25 | 457 | 772 |
| 1- to 4-family residential mortgages | 261 | 1 | 7 | 9 | 244 | 356 |
| Home equity loans | 155 | 0 | 1 | 3 | 152 | 206 |
| Multifamily residential mortgages | 3 | 0 | 0 | 2 | 1 | 14 |
| Commercial RE loans | 33 | 1 | 8 | 7 | 17 | 115 |
| Construction RE loans | 24 | 0 | 1 | 4 | 18 | 53 |
| Farmland loans | 3 | 0 | 0 | 0 | 2 | 4 |
| RE loans from foreign offices | 23 | 0 | 0 | 0 | 23 | 23 |
| Commercial and industrial loans | 815 | 5 | 24 | 75 | 710 | 1,204 |
| Loans to individuals | 4,871 | 5 | 55 | 75 | 4,737 | 5,998 |
| Credit cards | 3,224 | 0 | 31 | 31 | 3,161 | 3,967 |
| Installment loans and other plans | 1,647 | 4 | 23 | 44 | 1,575 | 2,031 |
| All other loans and leases | 256 | 1 | 10 | 18 | 227 | 376 |
| Recoveries credited to loan and lease reserve | 1,634 | 4 | 34 | 61 | 1,535 | 2,171 |
| Loans secured by real estate | 134 | 1 | 6 | 6 | 120 | 189 |
| 1- to 4-family residential mortgages | 66 | 0 | 2 | 3 | 61 | 86 |
| Home equity loans | 28 | 0 | 0 | 1 | 27 | 38 |
| Multifamily residential mortgages | 9 | 0 | 0 | 0 | 8 | 10 |
| Commercial RE loans | 19 | 0 | 3 | 2 | 14 | 34 |
| Construction RE loans | 3 | 0 | 0 | 1 | 2 | 9 |
| Farmland loans | 1 | 0 | 0 | 0 | 0 | 3 |
| RE loans from foreign offices | 7 | 0 | 0 | 0 | 7 | 8 |
| Commercial and industrial loans | 316 | 1 | 7 | 18 | 289 | 457 |
| Loans to individuals | 1,033 | 2 | 15 | 29 | 986 | 1,334 |
| Credit cards | 527 | 0 | 6 | 6 | 516 | 693 |
| Installment loans and other plans | 505 | 2 | 9 | 23 | 471 | 641 |
| All other loans and leases | 152 | 1 | 5 | 7 | 139 | 192 |

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | All national banks | National banks | | | | Memoranda: All commercial banks |
|--|--------------------|-------------------------|------------------------------|-----------------------------|---------------------------|---------------------------------|
| | | Less than \$100 million | \$100 million to \$1 billion | \$1 billion to \$10 billion | Greater than \$10 billion | |
| Number of institutions reporting | 1,758 | 653 | 931 | 129 | 45 | 7,450 |
| Net charge-offs to loan and lease reserve | 12,725 | 22 | 203 | 438 | 12,062 | 16,366 |
| Loans secured by real estate | 948 | 4 | 30 | 56 | 858 | 1,507 |
| 1- to 4-family residential mortgages | 471 | 2 | 15 | 19 | 434 | 682 |
| Home equity loans | 336 | 0 | 1 | 7 | 328 | 462 |
| Multifamily residential mortgages | 0 | (0) | 1 | 3 | (3) | 21 |
| Commercial RE loans | 53 | 1 | 9 | 21 | 22 | 191 |
| Construction RE loans | 40 | 0 | 4 | 5 | 31 | 101 |
| Farmland loans | 8 | (0) | (0) | 1 | 8 | 8 |
| RE loans from foreign offices | 39 | 0 | 0 | 0 | 39 | 43 |
| Commercial and industrial loans | 1,229 | 10 | 50 | 166 | 1,002 | 1,922 |
| Loans to individuals | 10,278 | 7 | 112 | 190 | 9,969 | 12,441 |
| Credit cards | 7,286 | 1 | 75 | 69 | 7,141 | 8,794 |
| Installment loans and other plans | 2,992 | 7 | 37 | 121 | 2,827 | 3,647 |
| All other loans and leases | 271 | 0 | 12 | 26 | 233 | 495 |
| Charge-offs to loan and lease reserve | 17,657 | 38 | 305 | 633 | 16,682 | 22,988 |
| Loans secured by real estate | 1,331 | 7 | 49 | 77 | 1,198 | 2,076 |
| 1- to 4-family residential mortgages | 650 | 3 | 22 | 26 | 599 | 923 |
| Home equity loans | 412 | 0 | 2 | 9 | 401 | 565 |
| Multifamily residential mortgages | 11 | 0 | 1 | 4 | 7 | 34 |
| Commercial RE loans | 123 | 3 | 18 | 28 | 75 | 329 |
| Construction RE loans | 58 | 0 | 5 | 8 | 45 | 137 |
| Farmland loans | 11 | 0 | 1 | 2 | 9 | 18 |
| RE loans from foreign offices | 64 | 0 | 0 | 0 | 64 | 69 |
| Commercial and industrial loans | 2,292 | 14 | 75 | 223 | 1,979 | 3,392 |
| Loans to individuals | 13,350 | 14 | 157 | 290 | 12,889 | 16,474 |
| Credit cards | 8,897 | 1 | 90 | 96 | 8,709 | 10,904 |
| Installment loans and other plans | 4,453 | 13 | 66 | 194 | 4,180 | 5,570 |
| All other loans and leases | 685 | 3 | 24 | 42 | 616 | 1,046 |
| Recoveries credited to loan and lease reserve | 4,932 | 16 | 101 | 195 | 4,620 | 6,622 |
| Loans secured by real estate | 382 | 3 | 19 | 21 | 340 | 569 |
| 1- to 4-family residential mortgages | 179 | 1 | 7 | 7 | 164 | 242 |
| Home equity loans | 76 | 0 | 1 | 3 | 73 | 103 |
| Multifamily residential mortgages | 11 | 0 | 0 | 1 | 10 | 14 |
| Commercial RE loans | 70 | 2 | 9 | 7 | 53 | 138 |
| Construction RE loans | 18 | 0 | 1 | 3 | 14 | 35 |
| Farmland loans | 4 | 0 | 1 | 1 | 1 | 10 |
| RE loans from foreign offices | 24 | 0 | 0 | 0 | 24 | 26 |
| Commercial and industrial loans | 1,063 | 4 | 25 | 57 | 977 | 1,469 |
| Loans to individuals | 3,072 | 6 | 45 | 100 | 2,920 | 4,033 |
| Credit cards | 1,611 | 1 | 15 | 27 | 1,568 | 2,110 |
| Installment loans and other plans | 1,461 | 6 | 30 | 73 | 1,352 | 1,923 |
| All other loans and leases | 414 | 3 | 12 | 16 | 383 | 551 |

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | All national banks | National banks | | | | Memoranda: All commercial banks |
|-------------------------|--------------------|-------------------------|------------------------------|-----------------------------|---------------------------|---------------------------------|
| | | Less than \$100 million | \$100 million to \$1 billion | \$1 billion to \$10 billion | Greater than \$10 billion | |
| All institutions | 1,758 | 653 | 931 | 129 | 45 | 7,450 |
| Alabama | 22 | 9 | 12 | 0 | 1 | 149 |
| Alaska | 2 | 1 | 0 | 1 | 0 | 5 |
| Arizona | 17 | 5 | 7 | 4 | 1 | 51 |
| Arkansas | 35 | 6 | 26 | 3 | 0 | 152 |
| California | 70 | 17 | 38 | 13 | 2 | 277 |
| Colorado | 39 | 18 | 17 | 4 | 0 | 153 |
| Connecticut | 9 | 1 | 7 | 0 | 1 | 23 |
| Delaware | 7 | 1 | 2 | 1 | 3 | 27 |
| District of Columbia | 3 | 0 | 3 | 0 | 0 | 5 |
| Florida | 58 | 6 | 46 | 6 | 0 | 264 |
| Georgia | 48 | 9 | 38 | 1 | 0 | 337 |
| Hawaii | 1 | 0 | 1 | 0 | 0 | 7 |
| Idaho | 2 | 1 | 1 | 0 | 0 | 16 |
| Illinois | 146 | 55 | 83 | 6 | 2 | 603 |
| Indiana | 25 | 5 | 14 | 6 | 0 | 122 |
| Iowa | 42 | 18 | 23 | 1 | 0 | 382 |
| Kansas | 90 | 57 | 29 | 4 | 0 | 347 |
| Kentucky | 37 | 14 | 23 | 0 | 0 | 200 |
| Louisiana | 14 | 2 | 10 | 0 | 2 | 139 |
| Maine | 3 | 0 | 0 | 2 | 1 | 15 |
| Maryland | 10 | 0 | 9 | 1 | 0 | 64 |
| Massachusetts | 11 | 2 | 8 | 1 | 0 | 38 |
| Michigan | 22 | 9 | 12 | 0 | 1 | 157 |
| Minnesota | 98 | 53 | 42 | 2 | 1 | 430 |
| Mississippi | 18 | 4 | 12 | 2 | 0 | 93 |
| Missouri | 44 | 19 | 20 | 4 | 1 | 339 |
| Montana | 15 | 12 | 3 | 0 | 0 | 80 |
| Nebraska | 58 | 35 | 21 | 2 | 0 | 244 |
| Nevada | 8 | 2 | 1 | 3 | 2 | 35 |
| New Hampshire | 2 | 1 | 0 | 1 | 0 | 9 |
| New Jersey | 19 | 1 | 12 | 5 | 1 | 69 |
| New Mexico | 14 | 3 | 8 | 3 | 0 | 47 |
| New York | 54 | 10 | 31 | 9 | 4 | 133 |
| North Carolina | 4 | 0 | 1 | 1 | 2 | 76 |
| North Dakota | 13 | 6 | 5 | 2 | 0 | 95 |
| Ohio | 76 | 29 | 36 | 4 | 7 | 176 |
| Oklahoma | 80 | 36 | 42 | 1 | 1 | 263 |
| Oregon | 2 | 0 | 1 | 0 | 1 | 37 |
| Pennsylvania | 61 | 10 | 41 | 7 | 3 | 159 |
| Rhode Island | 3 | 2 | 0 | 1 | 0 | 7 |
| South Carolina | 24 | 6 | 16 | 2 | 0 | 76 |
| South Dakota | 18 | 6 | 9 | 1 | 2 | 86 |
| Tennessee | 24 | 3 | 17 | 3 | 1 | 186 |
| Texas | 289 | 144 | 126 | 18 | 1 | 610 |
| Utah | 5 | 1 | 2 | 0 | 2 | 64 |
| Vermont | 8 | 2 | 6 | 0 | 0 | 14 |
| Virginia | 35 | 6 | 26 | 2 | 1 | 120 |
| Washington | 10 | 5 | 5 | 0 | 0 | 80 |
| West Virginia | 14 | 7 | 6 | 1 | 0 | 64 |
| Wisconsin | 36 | 9 | 25 | 1 | 1 | 266 |
| Wyoming | 13 | 5 | 8 | 0 | 0 | 43 |
| U.S. territories | 0 | 0 | 0 | 0 | 0 | 16 |

FINANCIAL PERFORMANCE OF NATIONAL BANKS

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

| | All national banks | National banks | | | | Memoranda: All commercial banks |
|-------------------------|--------------------|-------------------------|------------------------------|-----------------------------|---------------------------|---------------------------------|
| | | Less than \$100 million | \$100 million to \$1 billion | \$1 billion to \$10 billion | Greater than \$10 billion | |
| All institutions | \$6,567,704 | \$37,177 | \$267,554 | \$371,217 | \$5,891,756 | \$9,765,433 |
| Alabama | 25,701 | 632 | 2,712 | 0 | 22,357 | 225,358 |
| Alaska | 2,372 | 61 | 0 | 2,311 | 0 | 3,862 |
| Arizona | 69,934 | 176 | 1,936 | 10,539 | 57,282 | 75,981 |
| Arkansas | 11,416 | 240 | 6,888 | 4,287 | 0 | 45,559 |
| California | 123,952 | 1,060 | 10,438 | 46,780 | 65,674 | 345,202 |
| Colorado | 12,586 | 930 | 5,192 | 6,463 | 0 | 42,942 |
| Connecticut | 21,212 | 95 | 3,232 | 0 | 17,885 | 22,912 |
| Delaware | 328,123 | 98 | 687 | 3,793 | 323,545 | 378,882 |
| District of Columbia | 648 | 0 | 648 | 0 | 0 | 960 |
| Florida | 36,904 | 420 | 13,648 | 22,835 | 0 | 106,727 |
| Georgia | 11,335 | 434 | 9,554 | 1,347 | 0 | 275,809 |
| Hawaii | 438 | 0 | 438 | 0 | 0 | 28,864 |
| Idaho | 377 | 36 | 342 | 0 | 0 | 5,140 |
| Illinois | 165,507 | 2,918 | 23,601 | 26,913 | 112,076 | 328,995 |
| Indiana | 23,398 | 277 | 6,018 | 17,102 | 0 | 57,704 |
| Iowa | 9,363 | 1,114 | 6,374 | 1,875 | 0 | 49,194 |
| Kansas | 20,035 | 3,180 | 9,999 | 6,856 | 0 | 45,372 |
| Kentucky | 6,064 | 965 | 5,099 | 0 | 0 | 41,683 |
| Louisiana | 43,351 | 64 | 2,684 | 0 | 40,602 | 69,997 |
| Maine | 42,726 | 0 | 0 | 2,800 | 39,926 | 46,713 |
| Maryland | 3,377 | 0 | 1,973 | 1,404 | 0 | 43,354 |
| Massachusetts | 11,132 | 114 | 2,128 | 8,889 | 0 | 171,708 |
| Michigan | 53,306 | 439 | 3,064 | 0 | 49,803 | 211,218 |
| Minnesota | 30,240 | 2,768 | 9,550 | 3,521 | 14,401 | 65,107 |
| Mississippi | 14,266 | 266 | 3,542 | 10,458 | 0 | 49,548 |
| Missouri | 32,796 | 1,091 | 5,951 | 12,029 | 13,726 | 95,820 |
| Montana | 1,740 | 754 | 986 | 0 | 0 | 16,439 |
| Nebraska | 15,086 | 1,849 | 4,763 | 8,474 | 0 | 33,724 |
| Nevada | 29,658 | 125 | 134 | 5,400 | 23,999 | 61,898 |
| New Hampshire | 1,657 | 56 | 0 | 1,600 | 0 | 3,858 |
| New Jersey | 33,729 | 68 | 3,932 | 17,321 | 12,408 | 59,598 |
| New Mexico | 7,119 | 156 | 1,969 | 4,994 | 0 | 14,377 |
| New York | 892,825 | 726 | 10,511 | 22,440 | 859,149 | 1,210,341 |
| North Carolina | 1,705,397 | 0 | 869 | 1,773 | 1,702,755 | 1,862,756 |
| North Dakota | 7,892 | 319 | 2,016 | 5,556 | 0 | 16,961 |
| Ohio | 1,731,384 | 1,717 | 12,006 | 8,720 | 1,708,942 | 1,824,473 |
| Oklahoma | 26,232 | 2,064 | 10,491 | 2,079 | 11,599 | 52,049 |
| Oregon | 13,950 | 0 | 233 | 0 | 13,717 | 33,835 |
| Pennsylvania | 191,399 | 632 | 14,270 | 21,265 | 155,232 | 243,991 |
| Rhode Island | 8,049 | 81 | 0 | 7,969 | 0 | 26,111 |
| South Carolina | 11,362 | 420 | 5,001 | 5,941 | 0 | 43,938 |
| South Dakota | 458,271 | 226 | 3,748 | 7,374 | 446,924 | 472,138 |
| Tennessee | 50,671 | 270 | 5,564 | 5,065 | 39,771 | 85,150 |
| Texas | 99,425 | 8,211 | 31,487 | 48,019 | 11,709 | 179,366 |
| Utah | 34,920 | 89 | 448 | 0 | 34,383 | 190,626 |
| Vermont | 1,719 | 130 | 1,589 | 0 | 0 | 7,051 |
| Virginia | 106,290 | 375 | 9,131 | 3,499 | 93,284 | 196,175 |
| Washington | 2,012 | 280 | 1,731 | 0 | 0 | 42,782 |
| West Virginia | 4,545 | 492 | 1,532 | 2,521 | 0 | 20,117 |
| Wisconsin | 29,765 | 531 | 7,624 | 1,003 | 20,606 | 118,334 |
| Wyoming | 2,051 | 229 | 1,822 | 0 | 0 | 12,530 |
| U.S. territories | 0 | 0 | 0 | 0 | 0 | 102,206 |



25th Anniversary

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