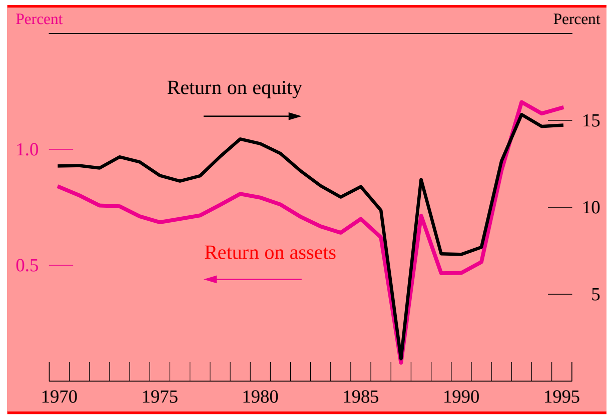
Profits and Balance Sheet Developments at U.S. Commercial Banks in 1995

William R. Nelson and Brian K. Reid, of the Board's Division of Monetary Affairs, prepared this article. Thomas C. Allard assisted in the preparation of the data, and Lisa J. Sanchez provided research assistance.

Continued high profitability and rapid growth of assets combined to lift net income of U.S. commercial banks almost 10 percent in 1995 to a record $49 billion. Profitability, as measured by either return on assets or return on equity, edged up near the peak level posted in 1993 (chart 1). Although net interest income as a share of average assets fell slightly, the decline was more than offset by a decline in net noninterest expense (table 1). Provisioning for loan and lease losses edged up, as did charge-offs, but both remained quite low. With delinquency rates for real estate and business loans declining, overall loan quality continued to be very good, even though delinquency rates for consumer loans, particularly credit card loans, rose sharply.[1]

The growth of assets last year resulted from the expansion of bank loan portfolios, which posted their largest increase in a decade, and, to a lesser extent, from growth in trading accounts. Banks financed this growth by increasing managed liabilities and core deposits, by adding to capital, and by selling securities from their investment accounts.

1. Measures of commercial bank profitability, 1970–95



NOTE. The data are annual.

Banks retained more than one-third of their income, and capital–asset ratios generally remained well above regulatory minimums. At year-end, nearly all commercial bank assets were at well-capitalized institutions. Six banks failed last year with total assets of only $756 million—the smallest volume of assets at failed banks since 1979. Combined assets at institutions classified by the Federal Deposit Insurance Corporation as problem banks fell to $16¾ billion at year-end, half of the amount at the end of 1994 and 3 percent of the amount at the end of the first quarter of 1992, when assets at problem banks peaked.

1. Selected income and expense items, 1991–95

Percent

Item	1991	1992	1993	1994	1995
Net interest income	3.61	3.90	3.90	3.79	3.73
Net noninterest expense	1.94	1.92	1.81	1.76	1.62
Loss provisioning	1.03	.78	.47	.28	.30
Realized gains on investment account securities	.09	.11	.09	−.01	.01
Income before taxes and extraordinary items	.73	1.32	1.70	1.74	1.81
Taxes and extraordinary items	.22	.41	.50	.58	.63
Net income	.51	.91	1.20	1.15	1.18
Dividends	.45	.41	.62	.73	.75
Retained income	.07	.50	.59	.43	.43

NOTE. Percentage of average net consolidated assets.

1. Except where otherwise indicated, data in this article are from the quarterly Reports of Condition and Income (Call Reports) for insured domestic commercial banks and nondeposit trust companies. The data, which cover all such institutions that filed Call Reports at least once, consolidate information from foreign and domestic offices and have been adjusted to take account of mergers. Size categories of such institutions (in this article called banks), which are based on assets at the start of each quarter, are as follows: the ten largest banks; large banks, those ranked 11 through 100 by size; medium-sized banks, those ranked 101 through 1,000 by size; and small banks, those not among the largest 1,000 banks. At the start of the fourth quarter of 1995, each of the ten largest banks had assets of more than approximately $50 billion, large banks had assets between approximately $7 billion and $50 billion, medium-sized banks had assets between approximately $300 million and $7 billion, and small banks had assets of less than approximately $300 million. Because of revisions, data shown may not match data published in earlier years. In the tables, components may not sum to totals because of rounding.

2. Annual rates of growth of balance sheet items, 1986–95

Percent

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	MEMO: Dec. 1995 levels (billions of dollars)
Assets	7.66	2.00	4.33	5.35	2.63	1.33	2.20	5.67	8.08	7.60	4,293
Interest-earning assets	7.82	3.08	4.04	5.62	2.23	1.98	2.55	6.54	5.31	7.75	3,723
Loans and leases (net)	7.35	3.00	5.93	6.24	2.37	−2.65	−1.02	6.02	9.85	10.61	2,536
Commercial and industrial	3.95	−1.95	1.84	2.97	−.68	−9.10	−4.10	.52	9.34	12.27	658
Real estate	17.46	16.56	12.43	12.69	8.79	2.73	1.94	6.13	7.94	8.28	1,072
Booked in domestic offices	17.06	17.11	11.99	13.02	8.54	2.90	2.57	6.17	7.68	8.43	1,045
Residential	12.78	18.03	13.89	15.75	13.49	8.08	7.88	10.96	10.00	10.10	657
Nonresidential	21.28	16.26	10.22	10.40	3.57	−2.82	−3.95	−.45	4.11	5.71	388
Booked in foreign offices	30.20	.84	27.03	3.00	16.65	−2.34	−17.80	4.66	18.37	2.80	27
Consumer	8.33	4.55	7.64	6.18	.37	−2.55	−1.53	8.92	16.03	9.99	533
Other loans and leases	−.96	−5.33	−3.09	−.94	−5.68	−4.90	−4.25	9.97	5.26	14.23	330
Loan loss reserves and unearned income	9.41	44.36	−4.19	10.29	.34	−3.78	−4.79	−5.89	−2.23	.45	58
Securities	9.92	4.94	3.27	5.08	8.45	16.23	12.29	12.26	−4.13	.60	917
Investment account	10.26	7.51	2.93	4.04	8.19	14.42	11.44	8.09	−1.71	−1.54	801
U.S. Treasury	1.64	.00	−5.80	−13.80	3.50	32.01	23.96	7.21	−8.44	−19.20	193
U.S. government agency and corporation obligations	53.55	25.46	22.54	33.42	24.01	15.88	12.77	9.62	.87	6.44	422
Other	2.26	4.43	−2.46	−.87	−6.69	−2.57	−5.19	6.07	2.52	4.35	186
Trading account	6.21	−23.88	8.58	20.62	11.87	38.88	21.01	51.94	−20.51	18.52	115
Other	6.91	.24	−5.82	2.50	−11.70	2.82	1.57	−7.89	3.28	7.62	271
Non-interest-earning assets	6.63	−5.07	6.45	3.50	5.50	−3.09	−.31	−.87	30.24	6.59	569
Liabilities	7.66	2.18	4.05	5.43	2.37	1.01	1.37	5.10	8.32	7.22	3,944
Core deposits	11.79	−.76	5.48	5.75	7.57	5.25	5.09	1.49	−.16	3.96	2,292
Transaction deposits	17.53	−6.04	2.65	.93	2.42	3.38	14.63	5.47	−.32	−3.07	822
Savings and small time deposits	8.07	2.95	7.29	8.71	10.51	6.24	.18	−.85	−.06	8.36	1,470
Managed liabilities[1]	3.06	6.90	2.26	5.20	−6.16	−6.18	−6.03	12.29	17.64	10.61	1,380
Deposits booked in foreign offices	−2.49	8.86	−7.77	−1.08	−5.88	3.82	−5.85	15.05	30.89	5.13	454
Large time	−1.06	12.16	9.22	5.00	−5.68	−19.73	−26.20	−9.21	8.74	19.55	260
Subordinated notes and debentures	15.77	3.72	−4.26	16.98	20.99	4.69	34.89	10.82	9.24	6.61	43
Other managed liabilities	12.13	.78	5.45	10.12	−8.11	−1.34	7.11	22.18	13.02	11.66	623
Other	−7.00	3.75	.08	2.59	4.36	−4.28	−1.05	14.93	77.92	20.27	272
Equity capital	7.59	−.66	8.77	4.18	6.68	5.98	13.78	12.56	5.26	12.06	349
MEMO											
Commercial real estate loans[2]	n.a.	n.a.	n.a.	n.a.	n.a.	−3.53	−5.18	−1.33	3.73	5.82	384

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

n.a. Not available.

1. Measured as the sum of deposits in foreign offices, large time deposits in domestic offices, federal funds purchased and securities sold under agreements to resell, demand notes issued to the U.S. Treasury, subordinated notes and debentures, and other borrowed money.

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

Because of continued industry consolidation, the number of commercial banks at year-end 1995 had fallen below 10,000; nevertheless, employment in the industry remained essentially unchanged.

Balance Sheet Developments

Bank assets continued to grow briskly in 1995 (table 2). Although measured asset growth was down slightly from that in the previous year, growth in 1994 had been exaggerated by an accounting change, which had boosted reported non-interest-earning assets.[2] The 1995 increase in bank assets was due to growth in all the major loan categories—commercial and industrial, real estate, and consumer. This growth resulted from increased demand for credit by both businesses and households and from efforts by banks to boost lending. As the year progressed, loan growth slowed owing to a slowdown in overall credit demand, an increase in the share of that demand met by capital markets, and a stabilization of bank lending standards.

2. Since the beginning of 1994, Financial Accounting Standards Board Interpretation No. 39 (FIN 39) has restricted banks from netting the values of off-balance-sheet derivatives multilaterally across counterparties (although under certain conditions it does permit netting of the values of derivatives extended to a single counterparty). Derivatives used for trading purposes that have positive value are to be recorded as an asset, and those that have negative value as a liability. This change boosted bank assets in 1994 about 2½ percent, one-third of the change in bank assets reported for that year. Excluding the effects of FIN 39, bank assets grew 5½ percent in 1994 and 7½ percent in 1995. For a more detailed discussion of these issues see William B. English and Brian K. Reid, "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1994," *Federal Reserve Bulletin*, vol. 81 (June 1994), pp. 548–49.

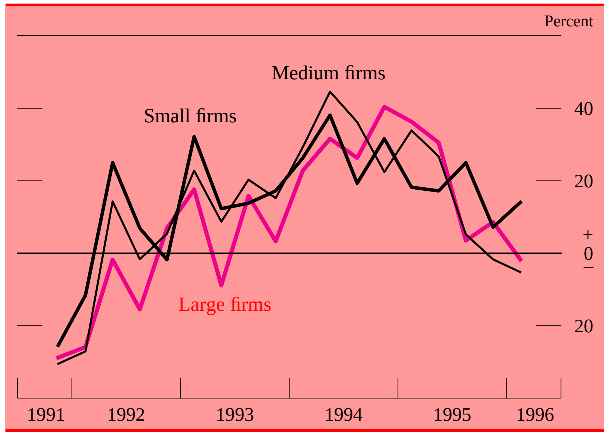
Loans to Businesses

In part because of strong demand, banks in 1995 posted the largest percentage increase in commercial and industrial (C&I) loans in fifteen years. Data from the balance sheets of nonfarm nonfinancial corporations provide some information on the sources of the increased demand (chart 2). The excess of corporate investment in plant, equipment, and inventories over internally generated funds—the financing gap—surged to $60 billion in 1995. In addition, these firms substituted away from bonds and equities toward shorter-term financing, including bank loans, especially early in the year.

The findings from the Federal Reserve's quarterly Senior Loan Officer Opinion Survey on Bank Lending Practices (LPS) suggest that the demand for C&I loans rose not only from larger corporations but also from small businesses and middle-market firms (chart 3).[3] Banks attributed this increase in demand to customer inventory financing, to investment in plant and equipment, and to merger and acquisition financing by larger customers.

The results from the LPS also suggest that easier lending standards contributed to the surge in C&I loans. On each of the first three surveys last year, more respondents indicated that they had eased standards on these loans over the preceding three months than indicated that they had tightened standards (chart 4). Throughout the year, banks that eased generally stated that they did so primarily because of increased competition from other banks and, to a lesser extent, from nonbank lenders. Another Federal Reserve survey—the Survey of Terms of Bank Lending to Business—showed an easing of terms (chart 5).[4] According to the survey, average spreads of loan rates over market rates fell for loans of all sizes. Indeed, spreads on large loans fell to levels that had last prevailed in the mid-1980s; however, spreads on smaller loans remained somewhat elevated relative to their levels in the late 1980s.

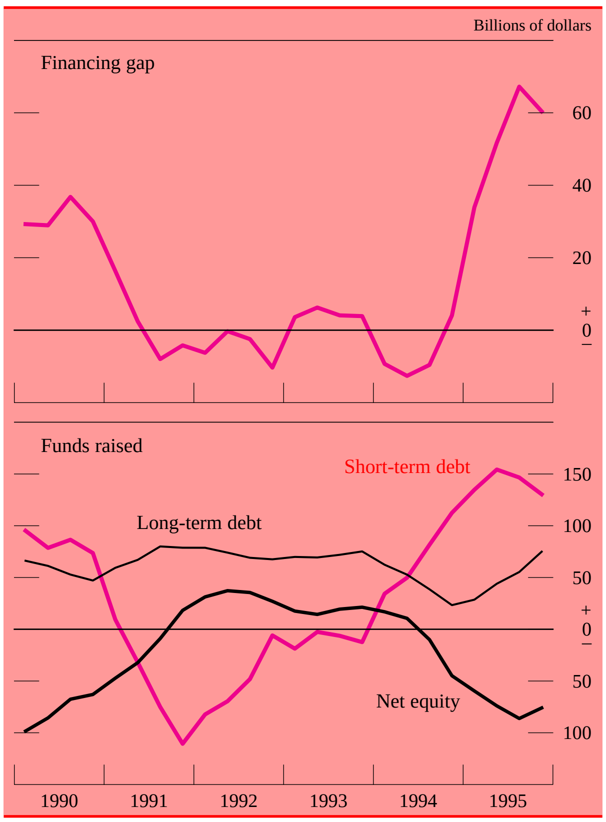
3. Net percentage of selected large commercial banks that experienced increased demand for commercial and industrial loans, by size of firms seeking loans, 1991–96



NOTE. The data are quarterly. Net percentage is the percentage of banks reporting an increase less the percentage reporting a decrease. The definition for firm size suggested for, and generally used by, survey respondents is that medium firms are those with sales between $50 million and $250 million.

SOURCE. Senior Loan Officer Opinion Survey on Bank Lending Practices.

2. Financing gap and funds raised, 1990–95



NOTE. The data are quarterly, four-quarter moving averages. All data are for nonfarm nonfinancial corporate businesses. The financing gap is the difference between capital expenditures and internally generated funds. Net equity is funds raised in equity markets less funds used to repurchase equity. Long-term debt is the sum of the net issuance of industrial revenue bonds, corporate bonds, and mortgages. Short-term debt is the sum of the change in outstanding bank and other loans and the net issuance of commercial paper.

SOURCE. Flow of funds accounts, table F.104.

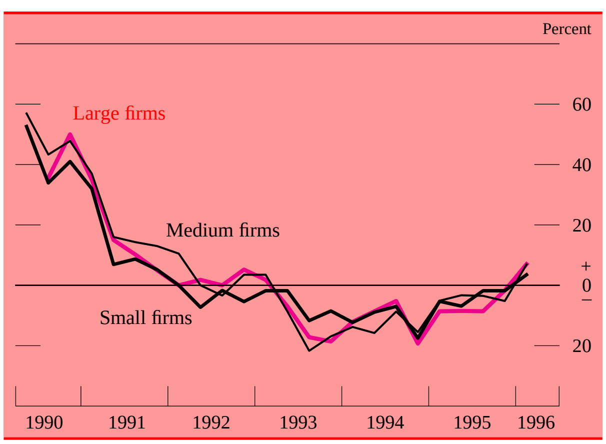
3. About sixty domestic commercial banks from the twelve Federal Reserve Districts are surveyed by the LPS. Most of them are large: As of December 31, 1995, these banks' assets totaled $1.3 trillion, about one-third of the assets of domestic commercial banks.

4. The Survey of Terms of Bank Lending to Business collects data on lending rates from a sample of more than 300 commercial banks. These banks accounted for 57 percent of the volume of C&I loans outstanding at the end of 1995. Data are collected on the terms of C&I loans made by these banks during the first full week of the middle month of each quarter.

The expansion of C&I loans last year was uneven, with growth slowing from 17 percent in the first half of 1995 to 6½ percent in the second half. Long-term interest rates fell over the year, increasing the attractiveness of bond financing. Furthermore, business investment was much lower in the fourth quarter than earlier in the year, and with profits remaining high, the need for external finance declined. In addition, the net number of respondents to the LPS that indicated easing standards on business loans tailed off over the year. In fact, after ten consecutive quarters in which banks reported having eased standards, respondents, on net, reported no change in standards in the fourth quarter of last year and indicated a slight tightening of standards in the first quarter of 1996.

The LPS respondents reported little change in standards for commercial real estate loans on each of last year's surveys. Nevertheless, banks expanded their portfolios of these loans 5¾ percent, the second consecutive year of positive growth following three years of decline. With lending standards reportedly little changed, this increase presumably resulted from greater demand. Indeed, as evidenced by rising prices and falling vacancy rates for commercial properties, the health of the commercial real estate sector has improved markedly over the past two years. In addition, the share of bank assets included in the category "other real estate owned" fell nearly one-half for the second straight year. Banks usually acquire these assets when they foreclose on loans collateralized by real estate. The decline in banks' holdings of these assets likely reflects both the greater ease with which they can sell this real estate and a reduced number of new foreclosures.

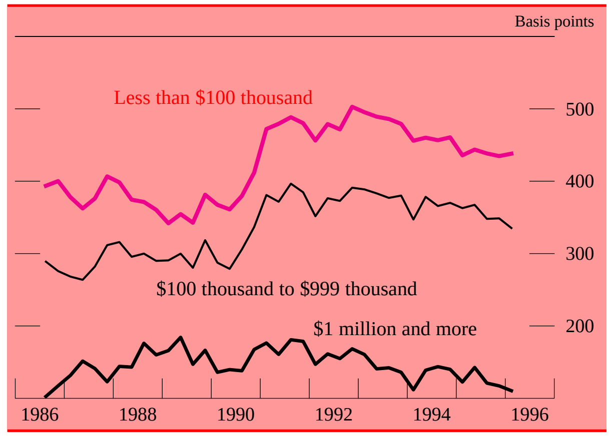
4. Net percentage of selected large commercial banks that tightened credit standards for commercial and industrial loans, by size of firms seeking loans, 1990–96



NOTE. The data are quarterly. Net percentage is the percentage of banks reporting tightening less the percentage reporting easing. Size categories for firms are defined in the note to chart 3.

SOURCE. Senior Loan Officer Opinion Survey on Bank Lending Practices.

5. Average C&I loan rate spread over average federal funds rate, by size of loan, 1986–96



NOTE. The data are quarterly.

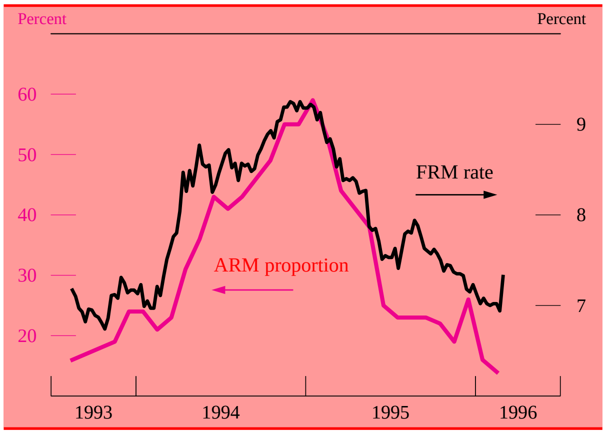
SOURCE. Survey of Terms of Bank Lending to Business, Federal Reserve Board statistical release E.2.

Loans to Households

Banks increased their share of home mortgage outstandings last year. Total home mortgage outstandings increased 6 percent, while banks' holdings of these loans grew 10 percent. Although the volume of total outstandings expanded briskly throughout the year, growth of banks' holdings of these loans decelerated from an annual rate of 13 percent over the first two quarters of 1995 to an annual rate of 2¾ percent in the fourth quarter. The rapid expansion of banks' mortgage holdings earlier in the year resulted, in part, from the popularity of adjustable-rate mortgages. At the beginning of 1995, nearly 60 percent of new mortgages carried adjustable rates (chart 6). Banks are more likely to keep on their books adjustable-rate mortgages, which have repricing frequencies more closely matching those of standard bank liabilities, than fixed-rate mortgages, which tend to be securitized. The share of mortgages with adjustable rates peaked as the interest rates on fixed-rate mortgages crested in late 1994. Rates on fixed-rate mortgages fell as 1995 progressed, however, and the share of adjustable-rate mortgages declined.

The expansion in consumer loans on banks' balance sheets slowed noticeably last year from the torrid pace recorded in 1994. However, if loans they originated but then sold are added to those on their balance sheets, banks' consumer lending grew 16½ percent last year, about the same as the pace in

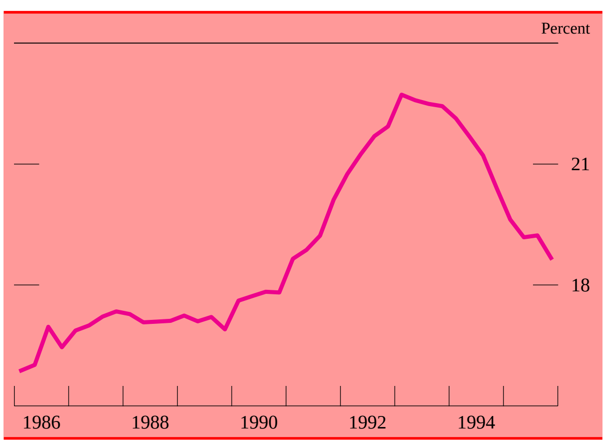
6. Fixed-rate mortgage rate and adjustable-rate mortgage proportion of new loans, 1993–96



NOTE. The data are monthly and are not seasonally adjusted. The FRM rate is the average contract rate on thirty-year, fixed-rate conventional home mortgage commitments. The ARM proportion is the number of adjustable-rate mortgages closed as a percentage of all conventional home purchase mortgages closed at major lenders.
SOURCE. Federal Home Loan Mortgage Corporation.

1994 (box). This continuing surge in consumer lending reflected, in part, the high level of consumers' purchases of durables. A small part of the rise in consumer debt may have resulted from increased use of credit cards, possibly resulting from the wider acceptance of credit cards at nontraditional outlets, such as grocery stores, and from the growing popularity of special incentive programs, such as cards that earn frequent-flier miles. Even if these charges were paid off each month, average outstanding balances would rise.

7. Securities held in investment accounts as a share of bank assets, 1986–95



NOTE. The data are quarterly.

Easier lending terms and standards and increased marketing efforts by commercial banks also likely contributed to the growth in consumer loans. On each quarterly LPS in 1995, respondents, on net, indicated greater willingness to make consumer installment loans. Also suggestive of a growing availability of credit is the behavior of the credit card utilization rate (the ratio of credit card balances to total credit limits), which edged down over the year to 23 percent despite rapid growth in credit card receivables. However, standards for approving credit card applications may be firming: On net, one-fourth of the respondents to the January 1996 LPS said that they had tightened such standards over the previous three months.

Securities

Total holdings of securities were little changed last year, as increases in trading accounts about equaled declines in investment accounts. Banks used the sale of investment account securities as a source of funds for the second straight year. Nevertheless, these securities still make up a larger share of bank assets than they did in the late 1980s (chart 7). Moreover, at the end of 1995, banks enhanced the liquidity of their investment account securities by significantly increasing the share classified as "available for sale."[5]

---

5. The Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, implemented at the beginning of 1994, requires all banks to partition their investment account securities into those that are available for sale and those that are to be held to maturity. Securities to be held to maturity are valued at amortized cost, with fluctuations in market value reflected neither in income nor on the balance sheet. In contrast, those available for sale are valued at fair (market) value, with the revaluations of price reflected in equity (but not income). At the time of the initial classification, the federal regulatory agencies had not yet indicated whether regulatory capital would be affected by the revaluations of available-for-sale securities. Subsequently, the agencies decided that such revaluations would not affect regulatory capital. On average, banks initially divided their investment accounts about evenly between the two classifications.

In part because of the timing of the decision on capital for regulatory purposes, but also because many banks were surprised by the stringency of the rules governing the sale of held-to-maturity securities, the Financial Accounting Standards Board allowed banks, between November 15 and December 31, 1995, to make a one-time reclassification of their investment account securities. Many banks took advantage of this opportunity. On average, commercial banks had increased the share of their investment account securities classified as "available for sale" from about 50 percent at the end of the third quarter to about 80 percent at year-end. On the January 1996 LPS, most respondents said that they had reclassified securities and that they had done so in order to increase their liquidity or flexibility.

The Market for Consumer-Loan Asset-Backed Securities

In 1995, the outstanding volume of securitized consumer loan receivables from all originators increased 40 percent, and the volume of these securities backed by loans originated by banks jumped 53 percent. At the end of the year, $200 billion of these securities was outstanding, $125 billion of which was backed by loans originated by banks. Of the dollar volume of consumer loans originated by banks, 20 percent was securitized, up nearly 5 percentage points from the end of 1994.

Despite the magnitude of this market, public issuance of securities backed by consumer loans dates only to 1985, when securities backed by automobile loans were first introduced. Publicly issued securities backed by credit card receivables were not introduced until 1987, but they have since come to dominate the market: At year-end 1995 they accounted for 69 percent of the securities backed by consumer-loan receivables outstanding and 93 percent of those backed by consumer loans originated by banks. Besides automobile loans and credit card receivables, mobile home loans, boat loans, and unsecured personal loans have been securitized.

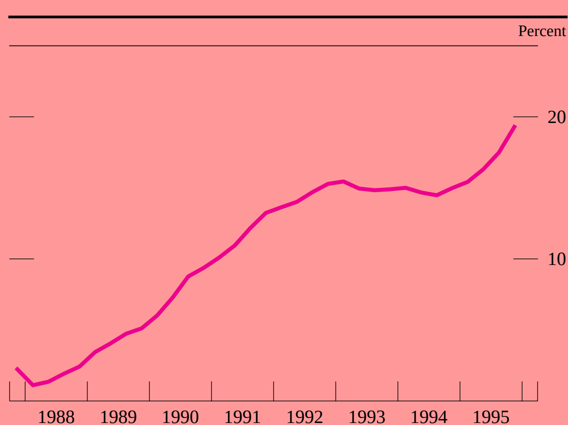
Asset-backed securities can take a variety of forms depending on the type of loans used as collateral. Securities backed by automobile loans or other types of amortizing loans usually pay both principal and interest over their life. In contrast, for securities backed by credit card receivables, the most common form is either a bullet maturity (for which the principal is repaid in one lump sum) or controlled amortization (for which only interest is paid for a specified period and then the principal and interest are both paid for a much shorter period). Asset-backed securities with fixed rates are generally priced in relation to comparable-maturity Treasury securities, whereas those issued with floating rates tend to be priced in relation to money market rates. Maturities of asset-backed securities are typically around three years, but they can vary from three months to about ten years.

Most consumer-loan asset-backed securities carry a triple-A rating from at least two rating agencies. To achieve this rating, various credit enhancements are used. Among these enhancements are set-asides to absorb losses and third-party guarantees. Another widely used enhancement is the creation of a lower-rated subordinated class of security that pays off only after obligations to the senior security have been met.

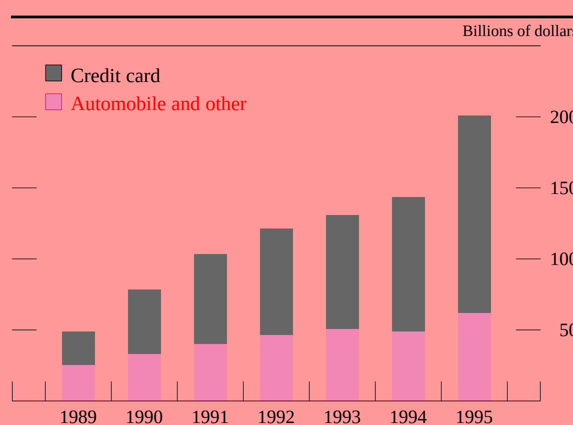
The largest issuers of consumer-loan asset-backed securities are the finance subsidiaries of automobile manufacturers, banks that specialize in credit card lending, and nonbank issuers of credit cards. The securities are held by various investors, including insurance companies, retirement funds, and mutual funds—many of the same institutions that hold corporate bonds and mortgage-backed securities. Indeed, because of the substitutability between collateralized mortgage obligations (CMOs) and securities backed by consumer loans, the market for the latter may have benefited from the well-publicized losses some investors took on CMOs when interest rates rose in 1994.

The results from the May 1996 LPS provide some information on why the pace of securitization picked up last year. The respondents that had increased the volume of their consumer loan securitizations over the preceding year gave several reasons for the increase. Two reasons commonly cited were that consumer loan originations had increased more rapidly than their bank's willingness to hold such loans on its books and that their bank had become more proficient in effecting securitizations. To a lesser degree, the respondents also attributed the increase to the capital markets' greater receptiveness to consumer-loan-backed securities as well as the increased cost of funding consumer loans on their bank's balance sheet.

Securitized share of banks' consumer loan outstandings, 1987–95



Outstanding consumer-loan asset-backed securities, by type of loan, 1989–95



Banks actually sold a larger percentage of their investment account securities than indicated by the decline in book value because, on average, upward revaluations of the prices of available-for-sale securities boosted their reported value. If available-for-sale securities were valued at amortized cost, investment account securities would have declined 3¾ percent last year rather than the 1½ percent drop actually recorded on banks' books.

Liabilities

For the third consecutive year, banks relied heavily on managed liabilities to fund asset growth. In 1993 and 1994, the use of managed liabilities was concentrated in non-deposit instruments, such as borrowings from foreign offices and senior bank notes, which are not subject to deposit insurance premiums.[6] In 1995, banks relied less on borrowings from abroad and more on large time deposits to fund growth. They may have chosen this source of funds, in part, because of the significant reduction in deposit insurance premium rates that took place last year.[7] Though insured only to $100,000, large certificates of deposit, unlike deposits booked abroad and senior bank notes, are included in the assessment base used to determine deposit insurance premiums. Even so, the reduction in deposit insurance premiums appears not to have been the only factor influencing banks' choice of managed liabilities last year: The fastest growth in large time deposits occurred in the first quarter, before the reduction in deposit insurance premiums. Furthermore, banks again last year issued a large volume of senior bank notes, which, as stated above, are not subject to deposit insurance premiums.

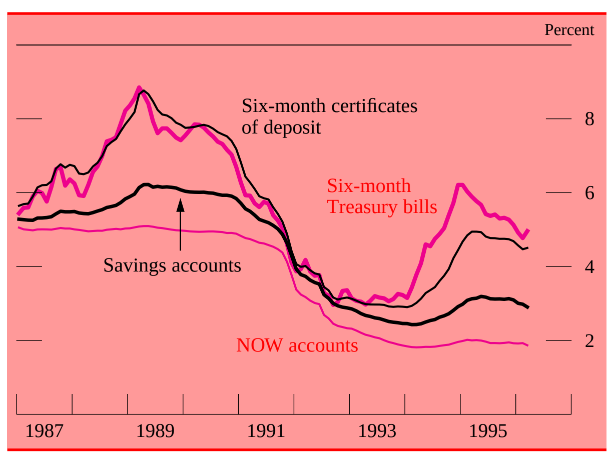
After declining in 1994, core deposits were a significant source of new funds for banks in 1995, although their growth did not keep pace with the growth in assets. Interest rate developments in 1995 probably boosted household demand for retail deposits (chart 8). As market rates declined over the year, yields on these deposits, which tend to change more slowly than market rates, became relatively more attractive. Furthermore, as the yield curve flattened, current yields on longer-term assets, such as bond mutual funds, fell relative to those on shorter-term assets, including retail deposits, possibly also adding to household demand.

Within core deposits, balances in transaction accounts declined, and those in savings accounts rose. This shift resulted in large part from the establishment of "sweep" accounts at many banks. These programs sweep funds out of transaction accounts, against which banks must hold reserves, into savings accounts, against which they need not hold reserves. By reducing the amount of required reserves, which do not earn interest, sweep programs free funds to be invested in interest-earning assets, thereby increasing profits. In 1995, thirty bank holding companies, representing 220 separately chartered commercial banks and thrift institutions, instituted sweep programs. The current amount being regularly swept is unknown, but as a rough indication of the size of these sweeps, the total amount swept at the initiation of these programs was $48 billion.

TRENDS IN PROFITABILITY

Net income of U.S. commercial banks jumped 9⅔ percent last year. The industry's return on assets (ROA) rose to 1.18 percent, marking the third consecutive year that banks have earned a return on assets appreciably higher than the historical average. The increase in profits was widespread, with two-thirds of commercial banks posting gains and average ROAs rising in eight of the twelve Federal Reserve Districts. Banks paid out most of the profits in dividends, but they also retained a substantial volume of

8. Selected interest rates, 1987–96:Q1



NOTE. The data are monthly. Rates are at commercial banks. Savings accounts include money market deposit accounts.

SOURCES. Federal Reserve Board statistical releases H.6 and H.15.

6. Senior bank notes, which are included in "Other managed liabilities" in table 2, are non-deposit securities typically issued by banks in the medium-term note market. They are senior to subordinated debt.

7. The reduction in deposit insurance premiums is discussed in the section "Noninterest Expenses."

earnings. These undivided profits, along with capital gains on available-for-sale securities, accounted for three-quarters of the increase in equity capital.

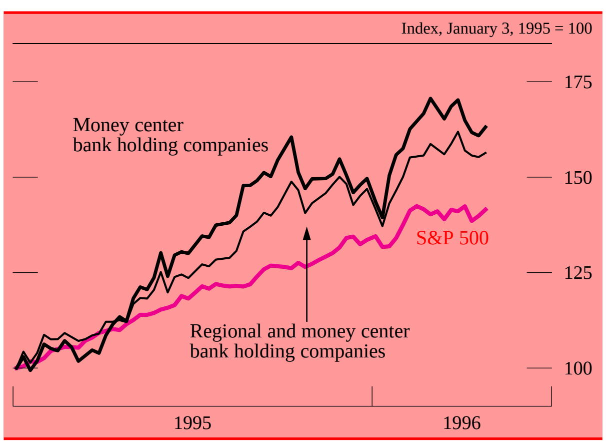
Most money center and regional bank holding companies increased dividends last year. The continued high profitability of commercial banks supported a rally in the stocks of bank holding companies (chart 9). Even though the rally faded during the fourth quarter, indexes of stock prices of money center and regional bank holding companies rose about 50 percent for the year, compared with about 35 percent for the S&P 500 index.

Total Revenue

Profits were lifted last year by a 6⅔ percent increase in total revenue—noninterest income plus net interest income. Net interest income as a share of assets was below the peak reached a few years ago, but it remained quite high by historical standards (chart 10). In general, this ratio has been trending higher for at least twenty-five years. The rise likely reflects, in part, greater riskiness of bank assets over the period: After subtracting loan-loss provisioning, the ratio of net interest income to assets shows no evidence of an upward trend, although it has been wide in recent years when the level of provisioning has been very low.

Since 1992, banks have been able to maintain their wide net interest margins despite narrower spreads on business loans and an increased reliance on large certificates of deposit and other managed liabilities.

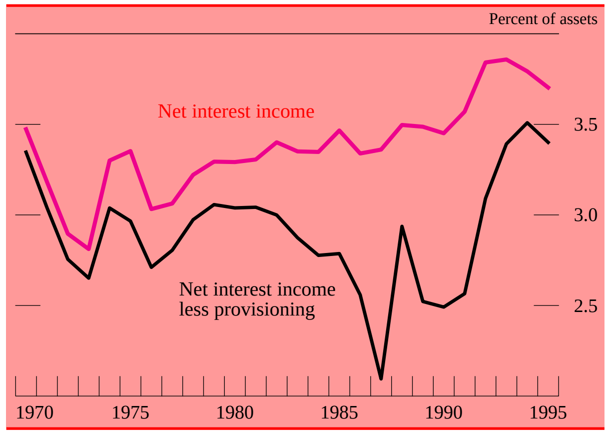
9. Stock price indexes, 1995–April 1996



NOTE. The data are weekly; the bank indexes end April 24, 1996, and the S&P 500 index ends April 26, 1996. The bank indexes are for eight money center bank holding companies and forty-two regional bank holding companies as defined by Salomon Brothers.

SOURCES. Salomon Brothers and Standard and Poor's Corporation.

10. Ratio of net interest income to total assets, 1970–95



NOTE. The data are annual. The series are adjusted to remove the effects of breaks in definitions.

They have kept these margins partly by increasing the share of loans, which generally earn higher interest rates than securities, in their portfolios of interest-earning assets. Furthermore, they have increased the fraction of their loans that are consumer loans, which carry particularly high rates. The higher rates on consumer loans compensate banks for the additional risk associated with these loans, which have higher charge-off rates than business and real estate loans.

Banks also have been aggressive in generating noninterest income, and the share of total revenue accounted for by noninterest income has increased over the past decade (chart 11). A small part of the gain has come from higher fees on deposits, and some of the gain has come from revenues derived from trading and fiduciary activities (including trading gains from derivative products held or created by banks). Most of the increase, however, has come from the broad category "other noninterest income."

Some types of other noninterest income are fee income from servicing real estate mortgages, income for performing data processing services, and income from providing lockbox services such as collecting and processing utility bills. Fees associated with credit cards—fees earned from securitizing credit card receivables, merchant credit card fees, and periodic fees paid by holders of credit cards—are also an important source of other noninterest income. In 1995, for instance, credit card banks—banks for which credit card loans account for at least 90 percent of their loans—earned about 25 percent of the industry's other noninterest income but held only 3 percent of commercial bank assets.

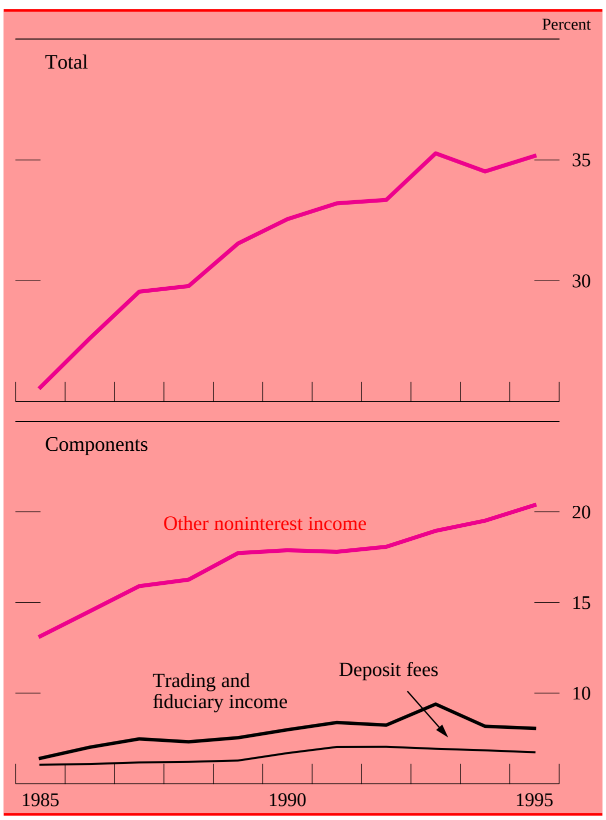
Noninterest Expenses

Noninterest expenses, which do not include loan-loss provisioning, grew 4½ percent in 1995. In part, banks benefited from the $2½ billion drop in deposit insurance premiums. The recapitalization of the Bank Insurance Fund led the Federal Deposit Insurance Corporation (FDIC) in August 1995 to lower premiums per $100 of deposits from twenty-three cents to four cents for well-capitalized banks. The change was made retroactive to June 1995, and because banks pay their premiums in advance, they received a rebate of $1½ billion. In November, the FDIC announced that it was setting the assessment rate at zero for well-capitalized banks for 1996. Consequently, most banks are to pay only the legal minimum, an annual fixed amount of $2,000.

From a broader perspective, banks have made substantial progress toward improving their overall operating efficiency. One common measure of efficiency is the ratio of noninterest expenses to total revenue (chart 12). This ratio has been trending downward for the past decade, although it rose early in the 1990s in part because of higher deposit insurance premiums and losses on other real estate owned.

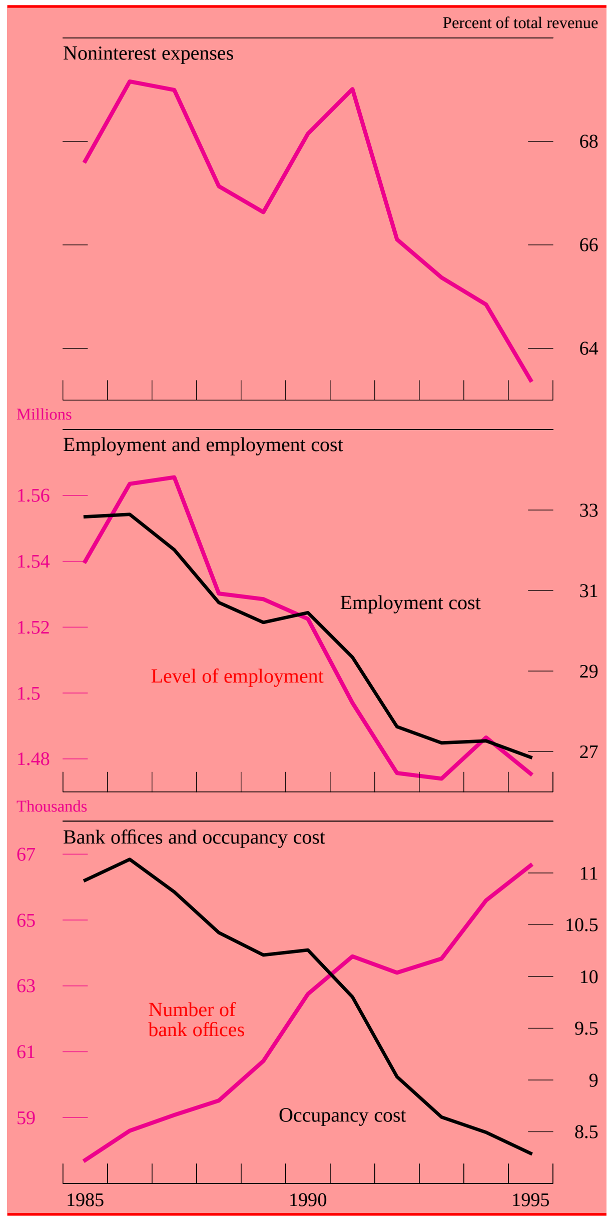
A major factor contributing to the decline in the ratio of noninterest expenses to total revenues is that employment costs as a share of total revenues have fallen over the past decade. Most of the improvement occurred between 1987 and 1992, when bank employment fell from 1.57 million to 1.48 million. Since then, employment has held near the lower level, and employment costs have risen at about the same rate as total revenue. The growth in costs

11. Total noninterest income and its components as a share of total revenue, 1985–95



NOTE. The data are annual.

12. Bank noninterest expenses, employment, and offices, 1985–95



NOTE. The data are annual.

reflects higher average compensation per employee, which rose 15 percent between 1992 and 1995, compared with a 10 percent increase in the average compensation of private industry workers.

Another factor contributing to overall efficiency is a drop in occupancy costs relative to total revenue. The decline has occurred despite a rise in the number of bank offices. Two factors likely have helped contain occupancy costs. First, the depressed commercial real estate market during the early 1990s held down property costs. Second, banks have become more aggressive in closing high-cost branches and opening less costly ones; for instance, a number of banks have been closing stand-alone branches and opening branches in supermarkets.

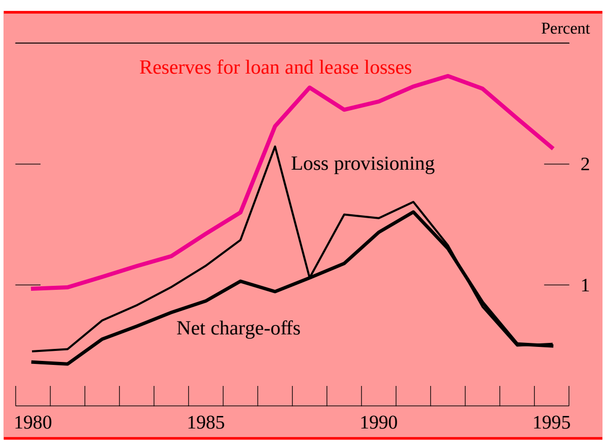
Loss Provisioning and Asset Quality

The improvements in bank operating efficiency and the increases in total revenue started to show through to profits a few years ago when banks began to reduce their provisioning for loan and lease losses, which had been elevated for several years. Even though provisioning increased slightly last year, it remained low. About half the increase was at credit card banks. Despite the additional provisioning at these banks, they remained very profitable, with an average return on assets near 3 percent, more than twice the industry average.

Banks again kept provisioning in line with net charge-offs (chart 13), leaving the level of loss reserves about unchanged. The level of loss reserves has not changed appreciably since 1990. Nonetheless, banks appear to have set aside ample reserves for future loan losses. The reserve-to-loan ratio and the ratio of reserves to delinquent loans in 1995 were well above their historical averages. In fact, more than 500 banks, by reducing loan-loss reserves, boosted total reported profits about $1 billion.

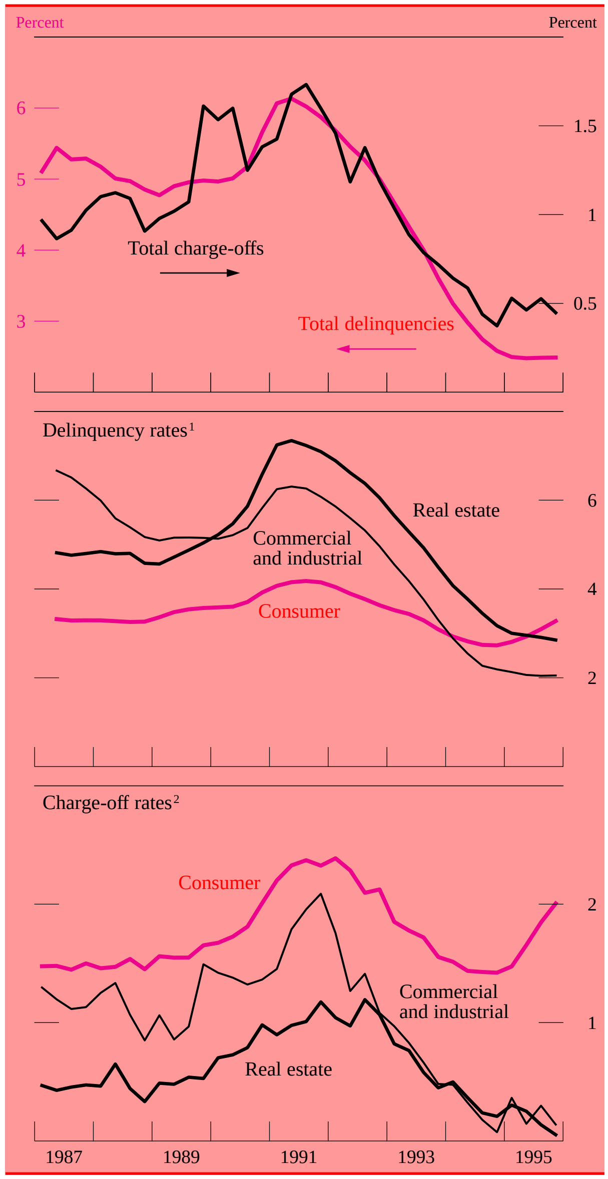
Banks were able to hold provisioning at a low level because bank asset quality remained excellent last year (chart 14). Decreases in delinquency and

13. Reserves for loan and lease losses, loss provisioning, and net charge-offs as a percentage of loans, 1980–95



Note. The data are annual.

14. Delinquency and charge-off rates, by type of loan, 1987–95



Note. The data are quarterly and are seasonally adjusted. Delinquent loans are loans that are not accruing interest and those that are accruing interest but are more than thirty days past due.

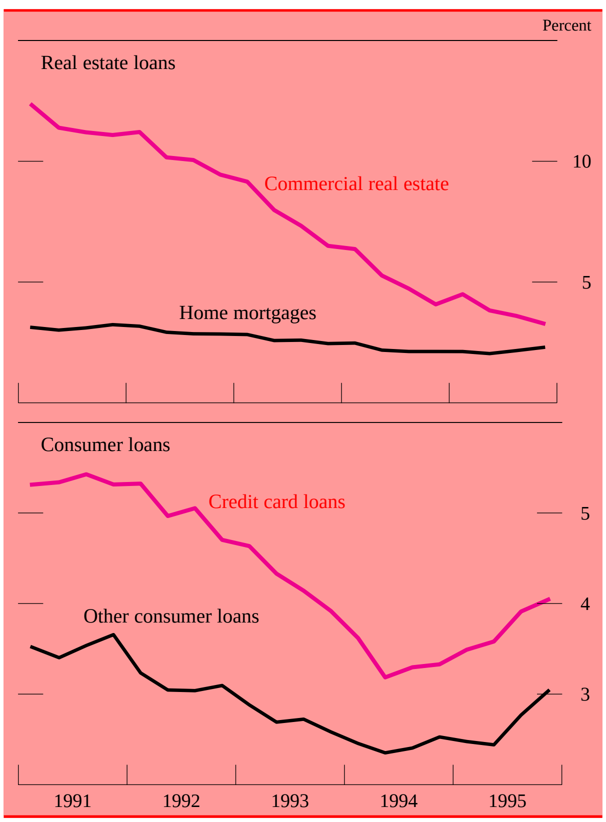
1. The delinquency rate for a category of loans is the category's average level of delinquent loans for the period divided by the category's average level of outstanding loans for the period. The first period plotted is 1987:Q2.

2. The charge-off rate for a category of loans is the category's annualized charge-offs for the period, net of recoveries, divided by the category's average level of outstanding loans for the period.

charge-off rates for loans made to businesses about offset the deterioration in loans to households. Favorable experience with commercial and industrial loans persisted, even though banks reported on the LPS having relaxed standards during the previous two years. The quality of commercial real estate loans continued to improve as the commercial property market strengthened (chart 15). Reductions in delinquency rates on these loans accounted for the better quality of overall real estate loans, as delinquency rates on home mortgages rose slightly.

Significant increases in delinquency and charge-off rates were registered for consumer loans. By year-end the delinquency rate had risen to 4 percent for credit card loans and to 3 percent for other consumer loans. Respondents to the November LPS who reported higher delinquency rates on consumer loans attributed the rise primarily to increased household debt burdens. Some banks noted that an increased willingness of borrowers to declare bankruptcy and slower economic growth in their markets also contributed. Most of the respondents characterized their actual delinquency experience last year as about what they had expected, suggesting that much of the decline in quality was already built into the pricing of such loans.

15. Delinquency rates for real estate and consumer loans, by components, 1991–95



NOTE. The data are quarterly and are not seasonally adjusted. The rates are the end-of-period delinquent loans divided by the end-of-period outstandings.

Changes in Capital

Bank equity capital grew $37½ billion last year, a 12 percent increase from 1994. Retained earnings accounted for about half the advance. The 1995 bond market rally also generated about $11 billion in capital gains on securities classified as "available for sale." These capital gains and losses are reflected, on an after-tax basis, in bank equity, even though they do not affect reported income.

However, because these capital gains and losses are not included in regulatory capital, tier 1 capital rose only 7 percent.[8] The percentage increase in tier 1 capital nearly matched the rise in assets, leaving the leverage ratio about unchanged (chart 16). Risk-based capital ratios—the total and the tier 1 ratios—declined a bit because of the rapid growth of risk-weighted assets. Loans, which generally carry a higher risk weight than securities, made up a larger share of bank assets last year than in 1994. Even so, the fraction of industry assets at well-capitalized banks—adjusted for bank examiners' ratings—rose to 96 percent by year-end, up from just 30 percent at the end of 1990.

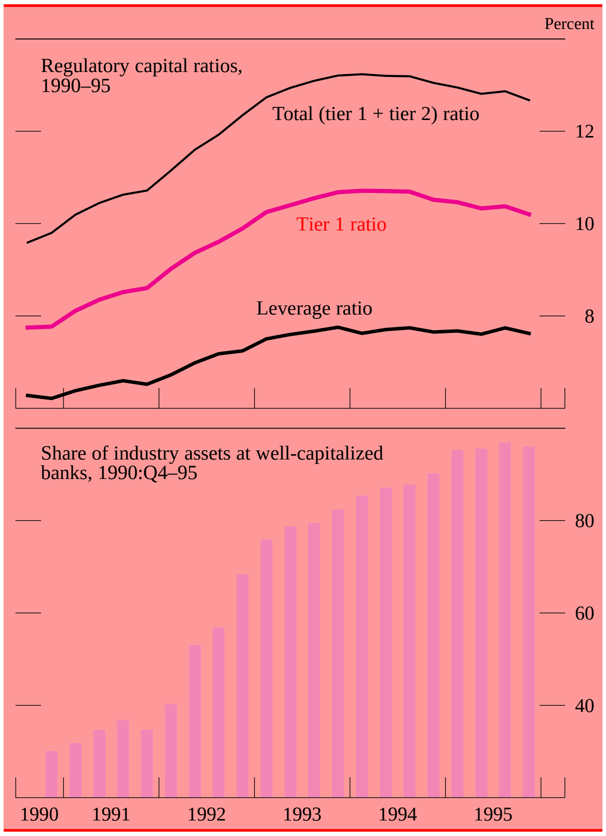
DEVELOPMENTS IN 1996

During the first quarter of 1996, bank asset growth at domestic offices was near the moderate pace registered in the fourth quarter of last year. Business loan demand remained damped, likely because of an apparent softening in inventory investment as firms

8. The regulatory agencies' risk-based capital guidelines are based on the Basle Accord and were modified by the Federal Deposit Insurance Corporation Improvement Act of 1991. The tier 1 ratio is the ratio of tier 1 capital to risk-weighted assets. The total ratio is the ratio of the sum of tier 1 and tier 2 capital to risk-weighted assets. Tier 1 capital includes mainly common equity (excluding capital gains and losses in investment account securities classified as available for sale) and certain perpetual preferred stock. Tier 2 capital consists primarily of tier 1 capital, subordinated debt, non–tier 1 preferred stock, and loan-loss reserves. Risk-weighted assets are calculated by multiplying the amount of assets and the credit equivalent amount of off-balance-sheet items by the risk weight for each category. The leverage ratio is the ratio of tier 1 capital to average total assets.

For a summary of the evolution of risk-based capital standards, see Allan D. Brunner and William B. English, "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1992," *Federal Reserve Bulletin*, vol. 79 (July 1993), pp. 661–62.

16. Regulatory capital ratios, and share of industry assets at well-capitalized banks



NOTE. The data are quarterly. For definitions of tier 1 and tier 2 capital and leverage ratio, see text footnote 8.

sought to bring inventories more in line with sales. Consumer loans, especially credit card debt, continued to grow rapidly.

Indexes of stock prices of bank holding companies were up about 10 percent to 15 percent early in the year following the release of strong fourth-quarter earnings reports. However, late in the first quarter these indexes began to back off somewhat. Bank holding companies released earnings reports for the first quarter of 1996 that were quite good—ROAs were up compared with the first quarter of 1995, and banks continued to maintain wide net interest margins. Although several firms reported reduced earnings because of special charges to cover merger-related expenses, their underlying operating profits were strong.

A.1. Report of income, all insured domestic commercial banks and nondeposit trust companies, 1986–95

Millions of dollars

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Gross interest income	239,084	245,089	274,144	317,075	320,185	289,853	257,037	244,892	257,419	303,054
Taxable equivalent	249,984	251,085	279,714	321,281	323,826	293,040	260,018	247,773	260,182	305,692
Loans	176,722	180,648	202,853	237,825	238,678	214,364	186,311	178,517	190,025	227,545
Securities	38,469	39,485	42,199	46,724	50,987	52,618	52,051	48,727	48,379	51,118
Gross federal funds sold and reverse repurchase agreements	9,171	9,033	10,639	13,061	12,547	9,128	5,926	4,799	6,422	9,752
Other	14,720	15,923	18,453	19,463	17,970	13,745	12,748	12,847	12,593	14,643
Gross interest expense	143,741	145,166	166,345	205,094	204,822	167,848	122,788	105,671	110,963	148,376
Deposits	118,284	115,807	130,310	157,484	161,365	138,917	99,038	79,550	79,214	105,426
Gross federal funds purchased and repurchase agreements	15,971	15,926	18,963	24,898	22,769	14,359	9,279	8,449	12,481	18,425
Other	9,484	13,432	17,073	22,712	20,686	14,572	14,471	17,672	19,268	24,523
Net interest income	95,343	99,923	107,799	111,981	115,363	122,005	134,249	139,221	146,456	154,678
Taxable equivalent	106,243	105,919	113,369	116,187	119,004	125,192	137,230	142,102	149,219	157,316
Loss provisioning[1]	22,356	37,891	19,777	31,304	32,275	34,868	26,866	16,843	10,972	12,618
Noninterest income	36,381	41,913	45,720	51,599	55,675	60,650	67,163	75,870	77,225	83,890
Service charges on deposits	8,020	8,758	9,532	10,272	11,444	12,842	14,178	14,905	15,306	16,075
Income from fiduciary activities	6,319	7,145	7,526	8,314	8,881	9,456	10,472	11,203	12,128	12,889
Foreign-exchange gains and fees	1,655	2,496	2,179	2,231	2,816	2,631	3,346	3,231	2,071	2,713
Trading income	1,303	1,064	1,512	1,819	2,038	3,331	2,927	6,010	4,178	3,625
Other	19,082	22,451	24,970	28,962	30,494	32,388	36,237	40,523	43,543	48,589
Noninterest expense	91,096	97,857	103,062	108,995	116,559	126,050	133,143	140,602	145,051	151,222
Salaries, wages, and employee benefits	43,327	45,405	47,134	49,414	52,082	53,597	55,625	58,538	60,988	64,076
Expenses of premises and fixed assets	14,663	15,342	16,002	16,697	17,541	17,904	18,190	18,587	19,000	19,780
Other	33,108	37,110	39,926	42,884	46,935	54,549	59,328	63,477	65,063	67,367
Net noninterest expense	54,715	55,944	57,342	57,396	60,884	65,400	65,980	64,732	67,826	67,332
Realized gains on investment account securities	3,964	1,447	278	799	474	2,925	3,956	3,054	–571	483
Income before taxes and extraordinary items	22,235	7,536	30,956	24,078	22,680	24,661	45,357	60,698	67,087	75,212
Taxes	5,301	5,410	9,996	9,551	7,741	8,284	14,476	19,849	22,455	26,305
Extraordinary items	283	200	811	313	649	993	404	2,091	–18	29
Net income	**17,218**	**2,327**	**21,771**	**14,841**	**15,589**	**17,372**	**31,285**	**42,942**	**44,615**	**48,935**
Cash dividends declared	9,224	10,659	13,275	14,113	13,944	15,080	14,235	22,069	28,178	31,121
Retained income	7,994	–8,332	8,496	729	1,646	2,292	17,050	20,873	16,436	17,814

1. Includes provisioning for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all insured domestic commercial banks and nondeposit trust companies, 1986–95

A. All banks

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	87.11	87.48	88.00	87.94	87.82	88.04	88.33	88.50	86.55	86.48
Loans and leases, net	59.09	59.12	59.80	60.64	60.53	59.55	57.30	56.25	56.06	58.38
Commercial and industrial	20.87	19.98	19.50	19.09	18.50	17.33	15.78	14.88	14.51	15.20
U.S. addressees	16.84	16.57	16.55	16.54	15.99	15.00	13.54	12.72	12.35	12.87
Foreign addressees	4.02	3.41	2.95	2.55	2.51	2.33	2.24	2.16	2.16	2.33
Consumer	11.38	11.42	11.72	11.89	11.77	11.45	11.02	11.00	11.43	12.11
Credit card	2.98	3.17	3.47	3.69	3.78	3.88	3.82	3.89	4.21	4.73
Installment and other	8.40	8.26	8.25	8.20	7.99	7.57	7.20	7.11	7.22	7.39
Real estate	16.90	19.00	20.86	22.50	23.86	24.87	24.87	24.81	24.43	25.00
In domestic offices	16.35	18.40	20.18	21.78	23.10	24.11	24.18	24.18	23.80	24.35
Construction and land development	3.51	3.90	4.06	4.16	4.00	3.41	2.64	1.99	1.65	1.59
Farmland	.44	.47	.49	.51	.51	.53	.56	.57	.56	.56
One- to four-family residential	7.45	8.22	9.21	10.15	11.21	12.27	12.91	13.49	13.74	14.41
Home equity	n.a.	n.a.	1.14	1.42	1.67	1.95	2.09	2.07	1.91	1.88
Other	n.a.	n.a.	8.07	8.73	9.54	10.32	10.82	11.42	11.84	12.54
Multifamily residential	.50	.57	.59	.60	.62	.66	.75	.79	.79	.81
Nonfarm nonresidential	4.45	5.25	5.83	6.36	6.76	7.23	7.32	7.33	7.06	6.97
In foreign offices	.55	.60	.68	.72	.76	.76	.69	.62	.63	.65
Depository institutions	2.38	2.28	2.04	1.76	1.60	1.42	1.24	1.07	1.42	1.88
Foreign governments	1.43	1.35	1.22	1.03	.78	.75	.73	.67	.41	.30
Agricultural production	1.23	1.04	.98	.96	.96	1.01	1.02	.99	1.00	.96
Other loans	5.51	4.98	4.52	4.31	3.93	3.60	3.50	3.56	3.34	3.15
Lease-financing receivables	.91	.98	1.06	1.10	1.12	1.09	1.03	.99	1.03	1.19
LESS: Unearned income on loans	–.60	–.52	–.50	–.48	–.42	–.36	–.28	–.21	–.16	–.14
LESS: Loss reserves[1]	–.94	–1.40	–1.61	–1.52	–1.57	–1.62	–1.60	–1.51	–1.36	–1.27
Securities	17.85	18.34	18.45	18.39	19.09	20.70	23.52	25.37	24.27	21.94
Investment account	16.28	17.00	17.17	17.14	17.63	18.93	21.18	22.50	21.60	19.38
Debt	16.28	17.00	17.17	16.84	17.37	18.62	20.82	22.12	21.21	18.97
U.S. Treasury	6.24	6.02	5.60	4.98	4.57	5.06	6.49	7.07	6.77	5.25
U.S. government agency and corporation obligations	3.07	4.14	4.88	6.04	7.56	8.75	9.86	10.73	10.24	9.81
Government-backed mortgage pools	1.13	2.10	2.59	3.27	4.08	4.52	4.52	4.74	4.67	4.47
Collateralized mortgage obligations	n.a.	n.a.	n.a.	n.a.	1.28	2.07	3.12	3.72	3.24	2.67
Other	1.94	2.04	2.29	2.77	2.20	2.16	2.21	2.27	2.33	2.68
State and local government	5.37	4.40	3.69	3.15	2.64	2.28	2.08	2.06	2.02	1.80
Other	1.62	2.44	2.99	2.68	2.59	2.53	2.40	2.25	2.18	2.11
Equity[2]	n.a.	n.a.	n.a.	.29	.27	.31	.37	.38	.39	.41
Trading account	1.56	1.34	1.28	1.25	1.46	1.77	2.34	2.87	2.67	2.55
Gross federal funds sold and reverse RPs	4.82	4.57	4.55	4.33	4.46	4.58	4.54	4.27	3.82	3.93
Interest-bearing balances at depositories	5.35	5.45	5.21	4.58	3.75	3.21	2.97	2.62	2.40	2.23
Non-interest-earning assets	12.89	12.52	12.00	12.06	12.18	11.96	11.67	11.50	13.45	13.52
Revaluation gains on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.61	2.90
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.84	10.62
Liabilities	93.69	93.83	93.84	93.64	93.60	93.33	92.82	92.15	92.12	91.99
Interest-bearing liabilities	73.13	74.03	75.40	76.02	76.53	76.58	75.32	73.93	71.86	71.87
Deposits	60.63	61.26	62.06	62.58	63.44	64.45	62.93	60.26	57.34	56.29
In foreign offices	11.27	11.02	10.41	9.68	9.26	8.55	8.37	8.32	9.39	10.27
In domestic offices	49.36	50.24	51.66	52.90	54.18	55.90	54.56	51.94	47.96	46.01
Other checkable deposits	5.19	6.04	6.25	6.12	6.19	6.72	7.65	8.24	7.80	6.63
Savings (including MMDAs)	17.46	18.28	17.60	16.28	16.59	18.00	20.28	20.90	19.60	17.47
Small-denomination time deposits	15.85	15.06	16.25	18.37	19.96	21.30	19.21	16.98	15.33	16.14
Large-denomination time deposits	10.86	10.86	11.55	12.13	11.44	9.89	7.42	5.81	5.23	5.77
Gross federal funds purchased and RPs	8.31	8.13	8.02	8.22	8.03	7.09	7.02	7.47	7.60	7.70
Other	4.19	4.64	5.31	5.22	5.07	5.03	5.37	6.19	6.92	7.88
Non-interest-bearing liabilities	20.56	19.80	18.45	17.62	17.07	16.75	17.50	18.22	20.26	20.12
Demand deposits in domestic offices	15.89	15.34	14.25	13.49	12.79	12.59	13.24	13.86	13.49	12.68
Revaluation losses on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.32	2.88
Other	4.67	4.46	4.20	4.13	4.27	4.16	4.27	4.37	4.45	4.57
Capital account	6.31	6.17	6.16	6.36	6.40	6.67	7.18	7.85	7.88	8.01
MEMO										
Commercial real estate loans	n.a.	n.a.	n.a.	n.a.	n.a.	11.36	10.59	9.84	9.15	9.01
Other real estate owned	.30	.35	.39	.39	.50	.75	.82	.63	.36	.19
Managed liabilities	35.07	35.13	35.74	35.69	34.24	30.99	28.65	28.23	29.57	32.06
Average net consolidated assets (billions of dollars)	2,775	2,922	3,048	3,187	3,338	3,379	3,442	3,567	3,863	4,149

A.2.—Continued

A. All banks

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Effective interest rate (percent)[4]									
Rates earned										
Interest-earning assets	9.95	9.43	10.06	11.13	10.66	9.54	8.29	7.61	7.62	8.35
Taxable equivalent	10.40	9.67	10.26	11.29	10.79	9.66	8.39	7.72	7.71	8.42
Loans and leases, gross	10.84	10.23	10.86	12.03	11.48	10.37	9.21	8.69	8.63	9.26
Net of loss provisions	9.47	8.08	9.80	10.44	9.93	8.68	7.88	7.87	8.13	8.75
Securities	8.45	8.10	8.38	8.73	8.79	8.16	7.06	6.08	5.97	6.55
Taxable equivalent	10.10	8.95	9.07	9.25	9.20	8.54	7.37	6.36	6.21	6.55
Investment account	8.51	7.95	8.07	8.56	8.66	8.23	7.14	6.07	5.80	6.36
U.S. government and other debt	9.15	8.19	8.25	8.80	8.92	8.40	7.21	6.08	5.81	6.43
State and local	7.20	7.27	7.39	7.45	7.37	7.25	6.83	6.26	5.88	5.82
Equity[2]	n.a.	n.a.	n.a.	7.74	7.33	6.19	5.32	4.79	4.80	5.52
Trading account	7.85	10.01	12.63	11.11	10.15	7.53	6.40	6.16	7.41	7.98
Gross federal funds sold and reverse RPs	6.73	6.57	7.52	9.17	8.06	5.67	3.59	3.04	4.26	5.63
Interest-bearing balances at depositories	7.94	7.55	8.71	10.59	9.96	8.44	7.32	6.61	5.71	6.84
Rates paid										
Interest-bearing liabilities	7.20	6.76	7.28	8.53	8.04	6.52	4.76	4.01	4.02	5.00
Interest-bearing deposits	6.96	6.38	6.86	7.87	7.56	6.32	4.52	3.65	3.54	4.47
In foreign offices	7.82	7.90	8.91	10.87	10.71	8.54	7.32	6.82	5.59	6.12
In domestic offices	6.78	6.05	6.44	7.32	7.01	5.97	4.09	3.14	3.15	4.11
Other checkable deposits	n.a.	4.55	4.77	4.83	4.78	4.33	2.71	1.99	1.86	2.07
Savings (including MMDAs)	n.a.	5.29	5.55	6.18	5.98	5.09	3.26	2.50	2.58	3.19
Large-denomination CDs	7.39	6.88	7.47	8.67	8.03	6.67	4.91	4.00	4.10	5.47
Other time deposits	n.a.	6.99	7.34	8.29	7.96	6.89	5.17	4.19	4.18	5.45
Gross federal funds purchased and RPs	6.81	6.52	7.43	9.20	7.96	5.72	3.65	3.07	4.19	5.65
	Income and expenses as a percentage of average net consolidated assets									
Gross interest income	8.61	8.39	9.00	9.95	9.59	8.58	7.47	6.87	6.66	7.30
Taxable equivalent	9.01	8.59	9.18	10.08	9.70	8.67	7.55	6.95	6.73	7.37
Loans	6.37	6.18	6.66	7.46	7.15	6.34	5.41	5.01	4.92	5.48
Securities	1.39	1.35	1.38	1.47	1.53	1.56	1.51	1.37	1.25	1.23
Gross federal funds sold and reverse RPs	.33	.31	.35	.41	.38	.27	.17	.13	.17	.24
Other	.53	.54	.61	.61	.54	.41	.37	.36	.33	.35
Gross interest expense	5.18	4.97	5.46	6.44	6.14	4.97	3.57	2.96	2.87	3.58
Deposits	4.26	3.96	4.28	4.94	4.83	4.11	2.88	2.23	2.05	2.54
Gross federal funds purchased and RPs	.58	.55	.62	.78	.68	.42	.27	.24	.32	.44
Other	.34	.46	.56	.71	.62	.43	.42	.50	.50	.59
Net interest income	3.44	3.42	3.54	3.51	3.46	3.61	3.90	3.90	3.79	3.73
Taxable equivalent	3.83	3.63	3.72	3.65	3.57	3.70	3.99	3.98	3.86	3.79
Loss provisioning[5]	.81	1.30	.65	.98	.97	1.03	.78	.47	.28	.30
Noninterest income	1.31	1.43	1.50	1.62	1.67	1.79	1.95	2.13	2.00	2.02
Service charges on deposits	.29	.30	.31	.32	.34	.38	.41	.42	.40	.39
Income from fiduciary activities	.23	.24	.25	.26	.27	.28	.30	.31	.31	.31
Foreign-exchange gains and fees	.06	.09	.07	.07	.08	.08	.10	.09	.05	.07
Trading income	.05	.04	.05	.06	.06	.10	.09	.17	.11	.09
Other	.69	.77	.82	.91	.91	.96	1.05	1.14	1.13	1.17
Noninterest expense	3.28	3.35	3.38	3.42	3.49	3.73	3.87	3.94	3.75	3.64
Salaries, wages, and employee benefits	1.56	1.55	1.55	1.55	1.56	1.59	1.62	1.64	1.58	1.54
Expenses of premises and fixed assets	.53	.53	.53	.52	.53	.53	.53	.52	.49	.48
Other	1.19	1.27	1.31	1.35	1.41	1.61	1.72	1.78	1.68	1.62
Net noninterest expense	1.97	1.91	1.88	1.80	1.82	1.94	1.92	1.81	1.76	1.62
Realized gains on investment account securities	.14	.05	.01	.03	.01	.09	.11	.09	−.01	.01
Income before taxes and extraordinary items	.80	.26	1.02	.76	.68	.73	1.32	1.70	1.74	1.81
Taxes	.19	.19	.33	.30	.23	.25	.42	.56	.58	.63
Extraordinary items	.01	.01	.03	.01	.02	.03	.01	.06	*	*
Net income	.62	.08	.71	.47	.47	.51	.91	1.20	1.15	1.18
Cash dividends declared	.33	.36	.44	.44	.42	.45	.41	.62	.73	.75
Retained income	.29	−.29	.28	.02	.05	.07	.50	.59	.43	.43
MEMO: Return on equity	9.83	1.29	11.61	7.33	7.29	7.71	12.66	15.34	14.65	14.72

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserve.
2. As in the Call Report, equity securities are combined with ‘‘other debt securities’’ before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in ‘‘trading account securities’’ if a gain and ‘‘other non-interest-bearing liabilities’’ if a loss.
4. Where possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
5. Includes provisioning for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all insured domestic commercial banks and nondeposit trust companies, 1986–95

B. Ten largest banks by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	85.08	85.14	85.22	85.16	84.85	85.41	85.16	84.79	76.97	77.02
Loans and leases, net	61.45	59.36	58.69	59.66	61.69	62.14	58.34	55.57	49.91	50.05
Commercial and industrial	26.68	24.53	23.36	22.61	22.91	22.42	20.32	18.65	16.43	16.16
U.S. addressees	13.74	13.31	13.01	13.18	13.39	13.44	12.00	10.75	9.16	8.66
Foreign addressees	12.95	11.22	10.36	9.43	9.53	8.97	8.32	7.90	7.27	7.50
Consumer	6.50	6.41	6.19	6.21	6.87	7.20	7.31	7.33	6.59	6.60
Credit card	2.46	2.34	2.08	1.99	2.20	2.53	2.61	2.50	2.28	1.96
Installment and other	4.03	4.07	4.10	4.22	4.67	4.67	4.70	4.83	4.31	4.65
Real estate	12.30	13.97	15.46	18.02	20.56	21.68	19.93	18.54	16.21	15.82
In domestic offices	10.22	11.69	12.80	15.05	17.36	18.37	17.07	15.99	13.80	13.48
Construction and land development	2.67	3.21	3.48	3.60	3.79	3.42	2.48	1.59	.84	.58
Farmland	.07	.06	.06	.08	.08	.08	.07	.07	.06	.06
One- to four-family residential	4.76	5.17	5.83	7.45	9.31	10.34	10.08	10.29	9.69	9.62
Home equity	n.a.	n.a.	.76	1.04	1.31	1.63	1.63	1.60	1.40	1.40
Other	n.a.	n.a.	5.07	6.41	8.00	8.71	8.46	8.68	8.29	8.22
Multifamily residential	.48	.61	.65	.68	.68	.57	.58	.53	.41	.38
Nonfarm nonresidential	2.24	2.63	2.78	3.23	3.51	3.95	3.86	3.51	2.79	2.83
In foreign offices	2.07	2.28	2.66	2.97	3.20	3.32	2.85	2.55	2.41	2.35
Depository institutions	5.01	5.18	5.21	4.56	3.64	3.05	2.56	2.35	3.37	4.95
Foreign governments	3.77	3.64	3.63	3.34	2.76	2.88	2.75	2.46	1.27	.90
Agricultural production	.42	.36	.33	.31	.31	.31	.28	.27	.25	.21
Other loans	6.85	6.51	6.23	6.36	6.05	5.61	6.05	6.82	6.44	5.85
Lease-financing receivables	1.37	1.38	1.44	1.49	1.60	1.68	1.51	1.30	1.14	1.14
Less: Unearned income on loans	−.39	−.41	−.43	−.45	−.39	−.35	−.27	−.21	−.16	−.14
Less: Loss reserves[1]	−1.06	−2.22	−2.74	−2.77	−2.63	−2.34	−2.08	−1.94	−1.63	−1.45
Securities	11.71	12.59	12.96	13.13	14.03	15.58	19.13	22.74	20.43	19.53
Investment account	6.91	8.19	8.67	9.05	9.22	9.38	10.70	12.45	11.68	10.65
Debt	6.91	8.19	8.67	8.83	8.98	9.08	10.36	12.08	11.30	10.27
U.S. Treasury	1.60	1.47	1.41	1.29	1.09	1.35	2.30	2.39	2.17	2.03
U.S. government agency and corporation obligations	.68	1.54	1.94	2.29	2.91	3.46	4.45	6.14	5.16	4.46
Government-backed mortgage pools	.59	1.47	1.84	2.07	2.24	2.26	2.43	3.30	2.79	2.89
Collateralized mortgage obligations	n.a.	n.a.	n.a.	n.a.	.55	1.12	1.97	2.76	2.31	1.50
Other	.09	.07	.10	.22	.13	.08	.05	.08	.06	.08
State and local government	1.99	1.93	1.80	1.58	1.08	.77	.66	.59	.60	.49
Other	2.64	3.25	3.52	3.68	3.90	3.50	2.95	2.97	3.37	3.29
Equity[2]	n.a.	n.a.	n.a.	.22	.24	.30	.33	.36	.38	.38
Trading account	4.80	4.40	4.29	4.08	4.81	6.19	8.43	10.30	8.74	8.88
Gross federal funds sold and reverse RPs	3.57	3.91	4.61	4.12	2.88	2.96	3.23	2.71	2.68	3.20
Interest-bearing balances at depositories	8.35	9.28	8.97	8.26	6.25	4.74	4.45	3.76	3.95	4.25
Non-interest-earning assets	14.92	14.86	14.78	14.84	15.15	14.59	14.84	15.21	23.03	22.98
Revaluation gains on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.89	10.77
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.14	12.21
Liabilities	95.13	95.58	95.41	95.11	95.29	94.97	94.44	93.24	93.42	93.59
Interest-bearing liabilities	72.61	73.08	73.76	74.17	73.97	74.62	73.08	71.56	64.33	63.37
Deposits	56.56	57.46	57.67	57.56	57.95	57.67	55.73	52.91	48.20	47.49
In foreign offices	32.43	32.60	31.49	30.08	29.66	28.47	27.16	25.51	26.10	28.36
In domestic offices	24.14	24.86	26.18	27.49	28.28	29.19	28.56	27.41	22.10	19.12
Other checkable deposits	1.89	2.45	2.68	2.70	2.74	3.00	3.38	3.45	2.91	2.30
Savings (including MMDAs)	10.32	11.04	11.42	11.32	12.05	13.50	14.91	15.33	12.70	10.56
Small-denomination time deposits	4.59	4.55	5.03	5.64	6.16	6.55	5.72	5.09	3.98	4.04
Large-denomination time deposits	7.34	6.82	7.05	7.82	7.33	6.14	4.56	3.53	2.51	2.23
Gross federal funds purchased and RPs	8.08	6.89	6.40	6.72	6.90	6.80	6.19	6.70	5.83	6.17
Other	7.96	8.74	9.69	9.89	9.13	10.15	11.16	11.94	10.29	9.71
Non-interest-bearing liabilities	22.52	22.50	21.65	20.94	21.32	20.35	21.36	21.68	29.09	30.22
Demand deposits in domestic offices	12.55	12.64	11.93	11.60	10.93	10.36	11.05	11.27	10.15	8.88
Revaluation losses on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.75	10.68
Other	9.97	9.86	9.71	9.34	10.39	9.99	10.30	10.41	10.20	10.66
Capital account	4.87	4.42	4.59	4.89	4.71	5.03	5.56	6.76	6.58	6.41
Memo										
Commercial real estate loans	n.a.	n.a.	n.a.	n.a.	n.a.	8.48	7.43	5.92	4.24	4.02
Other real estate owned	.18	.21	.22	.23	.42	.78	1.13	1.02	.58	.27
Managed liabilities	57.37	56.79	56.34	56.24	54.74	53.18	50.76	49.17	46.16	47.89
Average net consolidated assets (billions of dollars)	681	691	685	693	725	717	775	818	949	1,051

A.2.—Continued

B. Ten largest banks by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Effective interest rate (percent)[4]									
Rates earned										
Interest-earning assets	9.82	9.56	10.76	12.31	11.65	9.92	8.67	8.16	8.15	8.23
Taxable equivalent	10.05	9.59	10.88	12.31	11.70	9.95	8.72	8.20	8.18	8.25
Loans and leases, gross	10.53	10.13	11.35	13.19	12.29	10.46	9.36	9.07	8.89	8.84
Net of loss provisions	9.22	6.63	10.70	10.87	11.10	8.58	7.50	7.95	8.38	8.62
Securities	8.62	9.49	10.54	10.11	9.85	8.52	7.38	6.69	7.10	7.54
Taxable equivalent	9.62	9.65	11.06	10.08	10.00	8.63	7.54	6.77	7.19	7.53
Investment account	8.90	8.70	8.70	9.20	9.34	8.99	7.96	6.90	6.58	7.06
U.S. government and other debt	9.55	9.07	8.95	9.56	9.68	9.29	8.13	6.99	6.70	7.22
State and local	7.30	7.52	7.74	7.69	7.54	7.67	7.40	6.99	6.37	6.23
Equity[2]	n.a.	n.a.	n.a.	6.81	5.82	4.22	4.04	3.72	3.27	4.03
Trading account	8.22	10.96	14.33	12.13	10.75	7.84	6.69	6.45	7.79	8.11
Gross federal funds sold and reverse RPs	6.36	6.13	7.31	8.98	8.01	5.60	3.65	3.02	4.52	5.20
Interest-bearing balances at depositories	8.10	7.68	9.13	10.88	11.06	10.05	9.29	8.34	7.27	7.15
Rates paid										
Interest-bearing liabilities	7.75	7.83	8.75	10.74	10.18	7.71	6.17	5.60	5.44	5.92
Interest-bearing deposits	7.21	6.97	7.77	9.19	9.03	7.09	5.33	4.50	4.32	4.99
In foreign offices	7.92	8.00	9.00	10.96	11.11	8.76	7.55	6.87	6.04	6.07
In domestic offices	6.39	5.63	6.28	7.28	6.81	5.47	3.24	2.36	2.36	3.42
Other checkable deposits	n.a.	3.26	4.43	4.40	4.35	3.93	1.96	1.28	1.11	1.29
Savings (including MMDAs)	n.a.	5.13	5.55	6.49	6.21	5.09	2.95	2.14	2.35	3.11
Large-denomination CDs	7.51	7.29	7.75	8.87	7.96	6.50	4.66	3.55	3.14	3.73
Other time deposits	n.a.	6.38	7.11	8.26	7.76	6.09	3.81	3.01	2.81	5.08
Gross federal funds purchased and RPs	6.97	6.52	7.43	9.27	7.75	5.98	4.04	3.26	4.05	5.22
	Income and expenses as a percentage of average net consolidated assets									
Gross interest income	8.30	8.45	9.52	10.82	10.37	8.77	7.68	7.22	6.38	6.44
Taxable equivalent	8.50	8.47	9.63	10.83	10.43	8.80	7.72	7.25	6.40	6.46
Loans	6.37	6.23	6.93	8.23	7.96	6.77	5.65	5.22	4.49	4.44
Securities	.62	.71	.75	.83	.86	.84	.85	.86	.77	.75
Gross federal funds sold and reverse RPs	.26	.29	.40	.37	.25	.17	.14	.11	.15	.21
Other	1.06	1.22	1.44	1.39	1.30	.98	1.05	1.04	.97	1.03
Gross interest expense	5.56	5.77	6.51	8.01	7.65	5.81	4.54	4.06	3.52	3.76
Deposits	4.21	4.18	4.56	5.37	5.41	4.23	3.09	2.48	2.15	2.43
Gross federal funds purchased and RPs	.61	.52	.58	.72	.64	.43	.28	.24	.24	.35
Other	.75	1.07	1.37	1.92	1.60	1.15	1.17	1.35	1.13	.98
Net interest income	2.74	2.68	3.01	2.82	2.72	2.96	3.15	3.16	2.86	2.68
Taxable equivalent	2.93	2.71	3.12	2.82	2.77	2.99	3.18	3.19	2.88	2.70
Loss provisioning[5]	.79	2.15	.40	1.45	.77	1.21	1.12	.64	.26	.11
Noninterest income	1.61	1.94	2.07	2.19	2.27	2.40	2.59	2.99	2.33	2.16
Service charges on deposits	.13	.16	.19	.22	.23	.26	.30	.30	.26	.25
Income from fiduciary activities	.21	.23	.23	.27	.31	.33	.37	.39	.37	.30
Foreign-exchange gains and fees	.20	.29	.26	.25	.30	.28	.36	.31	.15	.18
Trading income	.09	.10	.15	.17	.21	.36	.30	.60	.39	.28
Other	.98	1.16	1.24	1.29	1.21	1.16	1.27	1.38	1.18	1.15
Noninterest expense	2.99	3.20	3.29	3.43	3.55	3.83	3.86	4.13	3.56	3.32
Salaries, wages, and employee benefits	1.52	1.60	1.63	1.66	1.74	1.79	1.78	1.88	1.65	1.58
Expenses of premises and fixed assets	.55	.58	.60	.62	.65	.66	.65	.66	.55	.50
Other	.92	1.03	1.05	1.15	1.16	1.38	1.43	1.59	1.36	1.24
Net noninterest expense	1.39	1.26	1.21	1.24	1.28	1.44	1.27	1.14	1.23	1.16
Realized gains on investment account securities	.13	.07	.03	.03	.02	.04	.11	.13	.02	.03
Income before taxes and extraordinary items	.68	–.66	1.43	.16	.69	.34	.87	1.50	1.39	1.44
Taxes	.22	.14	.44	.38	.27	.17	.26	.53	.48	.55
Extraordinary items	*	*	.08	.03	.06	.03	*	.16	*	*
Net income	.47	–.80	1.07	–.19	.48	.21	.61	1.13	.91	.88
Cash dividends declared	.21	.28	.38	.37	.26	.21	.18	.28	.58	.57
Retained income	.25	–1.08	.69	–.57	.21	*	.43	.85	.33	.31
MEMO: Return on equity	9.58	–18.11	23.30	–3.92	10.13	4.23	10.91	16.75	13.86	13.78

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserve.
2. As in the Call Report, equity securities are combined with ''other debt securities'' before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in ''trading account securities'' if a gain and ''other non-interest-bearing liabilities'' if a loss.
4. Where possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
5. Includes provisioning for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all insured domestic commercial banks and nondeposit trust companies, 1986–95

C. Banks ranked 11th through 100th by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	85.64	86.20	87.23	86.91	86.81	86.88	87.97	88.36	88.16	88.31
Loans and leases, net	61.77	61.70	61.99	62.61	61.22	60.08	58.30	57.33	58.56	62.68
Commercial and industrial	24.13	23.72	23.45	22.75	21.76	20.53	18.83	18.03	18.03	19.26
U.S. addressees	21.21	21.22	21.43	21.23	20.44	19.30	17.78	17.05	16.99	18.10
Foreign addressees	2.92	2.50	2.02	1.53	1.33	1.24	1.05	.98	1.04	1.16
Consumer	11.80	11.73	12.20	12.97	12.25	11.66	11.72	11.46	12.62	14.23
Credit card	4.50	4.40	4.85	5.82	5.48	5.04	5.16	5.23	5.99	7.34
Installment and other	7.30	7.33	7.35	7.16	6.76	6.62	6.56	6.24	6.63	6.89
Real estate	13.94	16.05	17.94	19.09	20.21	21.51	21.89	22.11	22.26	23.25
In domestic offices	13.77	15.83	17.65	18.85	20.04	21.37	21.78	22.01	22.17	23.10
Construction and land development	4.79	5.24	5.27	5.25	4.91	4.00	3.02	2.08	1.63	1.50
Farmland	.09	.10	.11	.12	.12	.12	.14	.13	.14	.13
One- to four-family residential	5.27	5.88	6.85	7.54	8.53	10.17	11.36	12.30	12.98	14.16
Home equity	n.a.	n.a.	1.17	1.41	1.67	2.07	2.50	2.54	2.33	2.19
Other	n.a.	n.a.	5.68	6.13	6.86	8.10	8.85	9.76	10.65	11.97
Multifamily residential	.32	.39	.43	.45	.46	.54	.66	.71	.71	.77
Nonfarm nonresidential	3.30	4.22	4.99	5.49	6.01	6.53	6.61	6.79	6.72	6.54
In foreign offices	.17	.22	.29	.24	.18	.14	.11	.10	.09	.15
Depository institutions	2.83	2.51	1.84	1.55	1.57	1.58	1.43	1.30	1.49	1.59
Foreign governments	1.65	1.53	1.22	.88	.52	.39	.33	.30	.28	.20
Agricultural production	.36	.30	.29	.29	.28	.31	.31	.29	.29	.26
Other loans	7.26	6.25	5.54	5.17	4.82	4.55	4.28	4.05	3.47	3.32
Lease-financing receivables	1.33	1.52	1.69	1.73	1.67	1.53	1.49	1.47	1.60	1.96
LESS: Unearned income on loans	–.49	–.40	–.37	–.34	–.26	–.22	–.17	–.11	–.07	–.07
LESS: Loss reserves[1]	–1.03	–1.51	–1.80	–1.48	–1.60	–1.76	–1.79	–1.60	–1.41	–1.32
Securities	14.11	15.26	15.54	15.21	16.19	17.38	20.38	21.97	21.19	18.64
Investment account	13.02	14.45	14.73	14.38	15.32	16.25	19.24	20.60	19.82	17.88
Debt	13.02	14.45	14.73	14.16	15.14	16.02	18.99	20.34	19.50	17.51
U.S. Treasury	4.69	5.06	4.89	4.10	3.42	3.78	5.88	7.05	6.85	4.82
U.S. government agency and corporation obligations	2.05	3.13	3.58	5.01	7.42	8.43	9.26	9.55	9.28	9.40
Government-backed mortgage pools	1.40	2.36	2.96	4.03	5.32	5.38	5.22	5.21	5.30	5.06
Collateralized mortgage obligations	n.a.	n.a.	n.a.	n.a.	1.58	2.48	3.54	3.71	3.07	2.82
Other	.65	.77	.61	.98	.53	.57	.50	.63	.91	1.52
State and local government	5.08	4.07	3.32	2.70	2.03	1.63	1.46	1.31	1.21	1.11
Other	1.20	2.18	2.94	2.35	2.27	2.19	2.39	2.43	2.15	2.17
Equity[2]	n.a.	n.a.	n.a.	.22	.18	.22	.25	.26	.32	.37
Trading account	1.09	.81	.82	.83	.88	1.13	1.14	1.37	1.37	.76
Gross federal funds sold and reverse RPs	3.17	3.07	3.68	3.71	4.41	4.90	4.78	4.98	5.11	4.52
Interest-bearing balances at depositories	6.58	6.16	6.01	5.38	4.98	4.51	4.52	4.08	3.30	2.47
Non-interest-earning assets	14.36	13.80	12.77	13.09	13.19	13.12	12.03	11.64	11.84	11.69
Revaluation gains on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.57	.50
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11.28	11.18
Liabilities	94.36	94.56	94.77	94.45	94.35	93.93	93.13	92.56	92.47	92.23
Interest-bearing liabilities	71.54	73.01	75.34	76.23	77.02	76.07	74.66	73.38	72.86	74.05
Deposits	51.42	52.61	55.02	56.45	57.46	59.24	56.99	54.22	53.04	52.32
In foreign offices	10.45	10.14	9.68	8.63	7.84	6.69	6.20	6.78	8.05	8.12
In domestic offices	40.97	42.48	45.34	47.82	49.62	52.54	50.79	47.43	44.98	44.20
Other checkable deposits	3.84	4.42	4.68	4.67	4.75	5.36	6.26	7.21	6.91	5.62
Savings (including MMDAs)	15.17	16.02	15.67	14.58	15.50	17.62	20.21	20.60	20.13	18.78
Small-denomination time deposits	10.31	9.63	11.05	13.49	15.59	17.99	15.98	14.19	13.26	14.25
Large-denomination time deposits	11.65	12.40	13.95	15.08	13.78	11.56	8.34	5.44	4.68	5.55
Gross federal funds purchased and RPs	14.80	14.52	13.72	13.22	13.03	10.94	11.45	11.93	11.49	11.37
Other	5.31	5.87	6.59	6.57	6.53	5.89	6.22	7.23	8.34	10.36
Non-interest-bearing liabilities	22.82	21.55	19.44	18.22	17.33	17.87	18.47	19.18	19.62	18.18
Demand deposits in domestic offices	17.61	16.62	15.04	13.86	13.23	13.76	14.52	15.38	15.27	14.26
Revaluation losses on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.53	.49
Other	5.21	4.93	4.40	4.36	4.10	4.10	3.95	3.80	3.82	3.43
Capital account	5.64	5.44	5.23	5.55	5.65	6.07	6.87	7.44	7.53	7.77
MEMO										
Commercial real estate loans	n.a.	n.a.	n.a.	n.a.	n.a.	11.28	10.43	9.58	8.98	8.65
Other real estate owned	.17	.22	.31	.30	.46	.76	.70	.47	.25	.13
Managed liabilities	42.56	43.29	44.27	43.81	41.50	35.42	32.53	31.69	32.83	35.64
Average net consolidated assets (billions of dollars)	735	802	870	940	995	1,006	1,003	1,082	1,204	1,338

A.2.—Continued

C. Banks ranked 11th through 100th by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Effective interest rate (percent)[4]									
Rates earned										
Interest-earning assets	9.75	9.19	9.87	11.10	10.41	9.22	8.01	7.37	7.29	8.31
Taxable equivalent	10.26	9.40	10.07	11.27	10.50	9.32	8.11	7.46	7.37	8.37
Loans and leases, gross	10.49	9.78	10.48	11.74	11.04	9.87	8.77	8.26	8.22	9.10
Net of loss provisions	9.19	7.33	9.19	9.87	9.03	7.89	7.47	7.47	7.68	8.49
Securities	8.07	7.87	8.21	8.76	8.81	8.16	7.08	6.06	5.70	6.38
Taxable equivalent	10.13	8.67	8.92	9.36	9.12	8.49	7.38	6.34	5.92	6.39
Investment account	8.21	7.93	8.24	8.77	8.87	8.28	7.21	6.16	5.70	6.34
U.S. government and other debt	9.00	8.25	8.51	9.06	9.13	8.42	7.25	6.16	5.69	6.38
State and local	6.96	7.09	7.29	7.41	7.22	7.23	6.81	6.32	6.04	6.06
Equity[2]	n.a.	n.a.	n.a.	9.19	8.09	7.32	6.75	5.23	5.00	5.69
Trading account	6.55	6.99	7.68	8.66	8.01	6.46	4.73	4.74	5.75	7.27
Gross federal funds sold and reverse RPs	6.60	6.59	7.61	9.35	8.11	5.76	3.71	3.11	4.31	5.91
Interest-bearing balances at depositories	7.88	7.68	8.87	11.35	9.72	8.15	6.77	6.50	4.69	6.79
Rates paid										
Interest-bearing liabilities	7.13	6.75	7.34	8.66	7.93	6.34	4.45	3.76	3.72	4.94
Interest-bearing deposits	6.92	6.42	7.00	8.14	7.51	6.20	4.32	3.52	3.25	4.35
In foreign offices	7.67	7.78	8.92	11.08	10.08	8.38	7.26	7.37	4.60	6.30
In domestic offices	6.74	6.10	6.59	7.62	7.10	5.92	3.99	2.99	3.03	4.01
Other checkable deposits	n.a.	4.44	4.53	4.57	4.64	4.16	2.45	1.70	1.62	1.89
Savings (including MMDAs)	n.a.	5.27	5.63	6.42	6.03	4.98	3.08	2.33	2.46	3.11
Large-denomination CDs	7.45	7.02	7.65	8.75	8.09	6.72	5.13	4.31	4.21	5.70
Other time deposits	n.a.	7.07	7.56	8.72	8.02	6.81	5.11	4.07	4.18	5.35
Gross federal funds purchased and RPs	6.85	6.63	7.50	9.35	8.11	5.68	3.57	3.04	4.28	5.86
	Income and expenses as a percentage of average net consolidated assets									
Gross interest income	8.20	8.05	8.72	9.77	9.26	8.17	7.15	6.59	6.46	7.40
Taxable equivalent	8.63	8.23	8.90	9.91	9.34	8.24	7.22	6.65	6.51	7.46
Loans	6.37	6.19	6.69	7.51	6.97	6.09	5.24	4.85	4.91	5.79
Securities	1.07	1.14	1.21	1.26	1.36	1.35	1.39	1.27	1.13	1.13
Gross federal funds sold and reverse RPs	.20	.20	.25	.36	.37	.28	.19	.15	.21	.27
Other	.56	.51	.57	.65	.56	.45	.34	.32	.21	.21
Gross interest expense	4.96	4.85	5.45	6.50	6.06	4.75	3.28	2.74	2.67	3.62
Deposits	3.58	3.41	3.86	4.59	4.34	3.70	2.49	1.94	1.73	2.29
Gross federal funds purchased and RPs	1.01	.96	1.03	1.24	1.12	.67	.43	.38	.51	.67
Other	.37	.48	.56	.66	.60	.38	.35	.43	.43	.66
Net interest income	3.24	3.19	3.27	3.28	3.21	3.42	3.87	3.85	3.79	3.79
Taxable equivalent	3.67	3.38	3.45	3.41	3.29	3.49	3.94	3.91	3.85	3.84
Loss provisioning[5]	.79	1.55	.82	1.20	1.27	1.23	.78	.47	.32	.39
Noninterest income	1.45	1.53	1.62	1.86	1.84	2.01	2.25	2.29	2.25	2.38
Service charges on deposits	.27	.29	.30	.31	.34	.40	.45	.46	.45	.44
Income from fiduciary activities	.34	.36	.35	.35	.33	.35	.38	.38	.39	.40
Foreign-exchange gains and fees	.03	.05	.04	.05	.06	.05	.05	.05	.04	.05
Trading income	.05	.02	.03	.04	.03	.05	.04	.08	.04	.04
Other	.75	.81	.89	1.12	1.08	1.16	1.33	1.32	1.33	1.45
Noninterest expense	3.17	3.23	3.29	3.34	3.43	3.72	3.99	3.95	3.86	3.79
Salaries, wages, and employee benefits	1.50	1.48	1.48	1.47	1.46	1.51	1.54	1.52	1.50	1.47
Expenses of premises and fixed assets	.50	.49	.50	.50	.49	.50	.50	.48	.47	.47
Other	1.17	1.26	1.31	1.37	1.48	1.72	1.96	1.95	1.89	1.84
Net noninterest expense	1.72	1.70	1.67	1.47	1.59	1.71	1.74	1.66	1.61	1.41
Realized gains on investment account securities	.17	.05	*	.04	.03	.14	.15	.09	−.01	.02
Income before taxes and extraordinary items	.91	*	.77	.65	.37	.62	1.51	1.82	1.85	2.01
Taxes	.20	.09	.28	.18	.15	.19	.49	.56	.62	.71
Extraordinary items	.01	*	.02	*	.01	.03	.03	*	*	*
Net income	.72	−.09	.51	.47	.23	.47	1.05	1.26	1.23	1.31
Cash dividends declared	.32	.34	.41	.40	.37	.47	.46	.76	.86	.85
Retained income	.39	−.43	.09	.06	−.14	*	.58	.49	.36	.46
MEMO: Return on equity	12.75	−1.70	9.72	8.41	4.07	7.71	15.21	16.91	16.28	16.87

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserve.
2. As in the Call Report, equity securities are combined with ''other debt securities'' before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in ''trading account securities'' if a gain and ''other non-interest-bearing liabilities'' if a loss.
4. Where possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
5. Includes provisioning for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all insured domestic commercial banks and nondeposit trust companies, 1986–95

D. Banks ranked 101st through 1,000th by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	87.92	88.34	88.88	88.98	88.84	88.91	89.02	89.53	90.09	90.13
Loans and leases, net	59.77	61.60	63.03	63.62	63.09	61.03	58.51	57.93	59.74	62.22
Commercial and industrial	18.47	18.12	17.83	17.68	16.69	15.05	13.33	12.19	12.07	12.68
U.S. addressees	18.22	17.87	17.67	17.53	16.56	14.89	13.15	12.03	11.90	12.52
Foreign addressees	.25	.24	.16	.15	.13	.16	.18	.16	.16	.16
Consumer	14.69	15.34	15.91	15.49	15.48	15.11	14.22	14.82	15.85	16.39
Credit card	4.01	4.65	5.21	4.83	5.22	5.71	5.42	5.64	6.06	6.45
Installment and other	10.68	10.69	10.70	10.66	10.26	9.40	8.80	9.18	9.79	9.93
Real estate	19.79	22.25	24.28	25.97	27.01	27.53	28.10	28.61	29.42	30.77
In domestic offices	19.78	22.25	24.27	25.95	26.99	27.48	28.06	28.59	29.40	30.75
Construction and land development	4.18	4.57	4.73	4.82	4.37	3.67	2.86	2.26	2.08	2.21
Farmland	.25	.26	.27	.27	.28	.28	.32	.34	.36	.40
One- to four-family residential	8.49	9.48	10.64	11.56	12.49	13.23	14.25	15.16	16.25	17.46
Home equity	n.a.	n.a.	1.73	2.08	2.31	2.53	2.56	2.50	2.33	2.36
Other	n.a.	n.a.	8.91	9.48	10.18	10.69	11.69	12.66	13.92	15.11
Multifamily residential	.66	.68	.67	.70	.73	.80	.95	1.07	1.13	1.21
Nonfarm nonresidential	6.21	7.26	7.97	8.61	9.11	9.50	9.68	9.75	9.57	9.47
In foreign offices	.01	.01	.01	.01	.03	.05	.04	.02	.03	.02
Depository institutions	1.36	1.13	1.01	.92	1.05	.93	.80	.43	.38	.34
Foreign governments	.26	.25	.20	.16	.09	.07	.05	.03	.02	.02
Agricultural production	.62	.48	.47	.45	.47	.49	.54	.56	.62	.69
Other loans	5.44	4.94	4.23	3.77	3.16	2.81	2.47	2.16	2.00	1.80
Lease-financing receivables	.71	.72	.78	.82	.83	.85	.78	.76	.82	.90
LESS: Unearned income on loans	–.71	–.61	–.60	–.56	–.50	–.40	–.30	–.21	–.15	–.12
LESS: Loss reserves[1]	–.87	–1.01	–1.07	–1.07	–1.20	–1.42	–1.49	–1.44	–1.30	–1.23
Securities	19.28	18.72	18.52	18.75	19.34	21.28	24.12	25.90	25.71	23.06
Investment account	18.95	18.50	18.25	18.38	18.87	20.92	23.77	25.61	25.39	22.86
Debt	18.95	18.50	18.25	18.02	18.54	20.55	23.31	25.14	24.95	22.39
U.S. Treasury	7.58	7.14	6.52	5.91	5.44	6.16	7.75	8.62	8.26	6.47
U.S. government agency and corporation obligations	3.32	4.06	4.81	6.07	7.75	9.35	11.07	12.32	12.67	12.21
Government-backed mortgage pools	1.13	1.89	2.33	3.03	3.83	4.51	4.74	4.97	5.57	5.42
Collateralized mortgage obligations	n.a.	n.a.	n.a.	n.a.	1.74	2.33	3.95	4.82	4.39	3.55
Other	2.19	2.17	2.48	3.04	2.17	2.11	2.38	2.53	2.71	3.24
State and local government	6.48	5.03	4.10	3.50	3.11	2.65	2.27	2.26	2.29	2.13
Other	1.57	2.26	2.82	2.55	2.25	2.38	2.22	1.94	1.74	1.58
Equity[2]	n.a.	n.a.	n.a.	.35	.32	.37	.46	.47	.44	.46
Trading account	.33	.22	.28	.38	.48	.37	.35	.29	.32	.20
Gross federal funds sold and reverse RPs	5.66	4.94	4.45	4.11	4.51	4.71	4.92	4.50	3.64	3.91
Interest-bearing balances at depositories	3.22	3.08	2.87	2.49	1.90	1.90	1.47	1.20	1.00	.94
Non-interest-earning assets	12.08	11.66	11.12	11.02	11.16	11.09	10.98	10.47	9.91	9.87
Revaluation gains on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.02	.05
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.90	9.83
Liabilities	93.33	93.28	93.34	93.28	93.07	92.89	92.47	91.86	91.62	91.36
Interest-bearing liabilities	73.01	73.92	75.59	76.42	77.04	77.25	75.98	74.43	74.77	75.02
Deposits	62.17	62.43	63.00	63.74	65.05	66.33	65.62	63.05	60.38	59.59
In foreign offices	2.07	1.96	2.04	2.09	1.65	1.76	1.56	1.43	1.69	1.71
In domestic offices	60.10	60.47	60.97	61.65	63.40	64.57	64.06	61.62	58.69	57.88
Other checkable deposits	6.25	7.27	7.39	7.14	7.31	7.83	9.14	9.94	9.70	8.53
Savings (including MMDAs)	22.37	22.83	21.27	19.52	19.69	20.79	23.33	24.05	22.92	20.72
Small-denomination time deposits	18.66	17.75	19.34	22.08	24.09	25.23	23.55	20.79	19.29	21.08
Large-denomination time deposits	12.83	12.62	12.96	12.91	12.31	10.73	8.06	6.84	6.78	7.55
Gross federal funds purchased and RPs	8.21	8.46	8.63	9.21	8.43	7.46	7.17	7.43	8.45	8.30
Other	2.63	3.03	3.96	3.47	3.56	3.46	3.19	3.95	5.94	7.14
Non-interest-bearing liabilities	20.33	19.36	17.74	16.85	16.03	15.64	16.49	17.43	16.85	16.34
Demand deposits in domestic offices	18.25	17.35	15.84	14.86	14.07	13.57	14.39	15.07	14.58	14.05
Revaluation losses on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.02	.05
Other	2.08	2.00	1.90	1.99	1.96	2.07	2.10	2.36	2.25	2.24
Capital account	6.67	6.72	6.66	6.72	6.93	7.11	7.53	8.14	8.38	8.64
MEMO										
Commercial real estate loans	n.a.	n.a.	n.a.	n.a.	n.a.	13.84	12.95	12.31	11.92	11.97
Other real estate owned	.30	.37	.42	.43	.52	.77	.80	.57	.28	.17
Managed liabilities	25.67	26.00	27.51	27.62	25.93	23.40	19.97	19.64	22.86	24.69
Average net consolidated assets (billions of dollars)	710	771	839	892	937	961	968	978	1,032	1,094

A.2.—Continued

D. Banks Ranked 101st through 1,000th by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Effective interest rate (percent)[4]									
Rates earned										
Interest-earning assets	9.93	9.47	9.92	10.75	10.44	9.54	8.17	7.44	7.61	8.45
Taxable equivalent	10.49	9.82	10.16	10.96	10.60	9.68	8.29	7.56	7.70	8.54
Loans and leases, gross	10.85	10.33	10.77	11.62	11.24	10.41	9.15	8.58	8.67	9.47
Net of loss provisions	9.60	9.05	9.62	10.45	9.50	8.70	7.87	7.77	8.14	8.78
Securities	8.30	7.68	7.84	8.34	8.54	8.10	6.91	5.79	5.71	6.25
Taxable equivalent	10.10	8.76	8.58	8.98	9.02	8.53	7.22	6.11	5.96	6.26
Investment account	8.31	7.71	7.85	8.36	8.51	8.12	6.93	5.80	5.72	6.25
U.S. government and other debt	8.99	7.96	8.05	8.62	8.77	8.29	6.97	5.77	5.70	6.30
State and local	7.01	7.03	7.17	7.28	7.34	7.25	6.87	6.30	5.94	5.82
Equity[2]	n.a.	n.a.	n.a.	6.90	6.94	6.02	5.06	4.95	5.34	6.06
Trading account	7.42	5.80	6.96	7.61	9.92	6.86	5.62	4.82	5.29	5.55
Gross federal funds sold and reverse RPs	6.86	6.64	7.47	9.05	7.98	5.63	3.49	3.02	4.07	5.45
Interest-bearing balances at depositories	7.52	7.04	7.82	9.21	8.52	6.82	4.61	3.50	4.29	6.09
Rates paid										
Interest-bearing liabilities	6.93	6.31	6.72	7.73	7.28	6.09	4.21	3.33	3.58	4.65
Interest-bearing deposits	6.76	6.10	6.50	7.36	7.07	6.05	4.18	3.26	3.32	4.26
In foreign offices	6.94	6.77	7.65	8.98	8.12	6.38	4.25	3.35	4.31	5.93
In domestic offices	6.77	6.08	6.46	7.31	7.04	6.04	4.18	3.26	3.29	4.22
Other checkable deposits	n.a.	4.65	4.77	4.88	4.77	4.28	2.68	2.02	1.87	2.03
Savings (including MMDAs)	n.a.	5.29	5.54	6.13	5.99	5.13	3.35	2.58	2.65	3.24
Large-denomination CDs	7.32	6.83	7.42	8.70	8.05	6.62	4.77	3.89	4.24	5.62
Other time deposits	n.a.	7.16	7.46	8.32	8.06	7.07	5.37	4.40	4.42	5.54
Gross federal funds purchased and RPs	6.61	6.35	7.40	9.01	7.87	5.61	3.47	2.95	4.13	5.61
	Income and expenses as a percentage of average net consolidated assets									
Gross interest income	8.69	8.40	8.88	9.68	9.40	8.62	7.39	6.75	6.93	7.71
Taxable equivalent	9.18	8.72	9.10	9.86	9.53	8.74	7.49	6.85	7.02	7.79
Loans	6.49	6.45	6.89	7.52	7.23	6.50	5.48	5.07	5.28	6.01
Securities	1.57	1.43	1.43	1.54	1.61	1.70	1.65	1.48	1.45	1.43
Gross federal funds sold and reverse RPs	.37	.31	.32	.38	.36	.27	.17	.14	.14	.21
Other	.25	.22	.24	.25	.20	.15	.08	.06	.06	.07
Gross interest expense	4.95	4.59	5.03	5.84	5.55	4.67	3.17	2.46	2.66	3.46
Deposits	4.21	3.82	4.10	4.70	4.59	4.02	2.75	2.07	2.02	2.56
Gross federal funds purchased and RPs	.55	.53	.64	.83	.67	.42	.25	.22	.35	.46
Other	.19	.23	.29	.31	.29	.23	.17	.17	.29	.45
Net interest income	3.74	3.81	3.85	3.84	3.84	3.95	4.21	4.28	4.27	4.25
Taxable equivalent	4.23	4.13	4.07	4.02	3.98	4.07	4.32	4.38	4.36	4.33
Loss provisioning[5]	.75	.80	.74	.75	1.12	1.07	.77	.48	.32	.43
Noninterest income	1.30	1.36	1.36	1.38	1.50	1.64	1.70	1.84	1.86	1.84
Service charges on deposits	.34	.34	.35	.36	.37	.40	.44	.45	.42	.42
Income from fiduciary activities	.25	.25	.25	.25	.26	.27	.28	.29	.28	.27
Foreign-exchange gains and fees	.01	.01	*	.01	*	.01	*	.01	.01	.01
Trading income	.04	.03	.03	.03	.02	.03	.02	.02	.01	.01
Other	.67	.73	.74	.74	.84	.94	.95	1.08	1.13	1.12
Noninterest expense	3.51	3.54	3.50	3.45	3.51	3.75	3.89	3.93	3.79	3.69
Salaries, wages, and employee benefits	1.59	1.54	1.49	1.48	1.47	1.48	1.51	1.52	1.49	1.44
Expenses of premises and fixed assets	.53	.52	.50	.49	.49	.49	.50	.48	.47	.45
Other	1.38	1.47	1.51	1.49	1.55	1.79	1.88	1.93	1.83	1.79
Net noninterest expense	2.21	2.18	2.14	2.07	2.01	2.11	2.19	2.09	1.93	1.85
Realized gains on investment account securities	.12	.04	*	.01	.01	.09	.10	.06	−.05	−.01
Income before taxes and extraordinary items	.90	.88	.98	1.02	.72	.86	1.35	1.78	1.97	1.96
Taxes	.18	.27	.32	.32	.22	.29	.44	.61	.67	.68
Extraordinary items	.01	.02	.01	*	*	.03	*	.04	*	*
Net income	.73	.62	.67	.71	.51	.60	.92	1.21	1.29	1.28
Cash dividends declared	.40	.44	.48	.48	.53	.58	.48	.79	.81	.87
Retained income	.33	.18	.18	.23	−.02	.02	.43	.43	.48	.41
MEMO: Return on equity	10.93	9.25	10.01	10.54	7.41	8.45	12.16	14.91	15.45	14.86

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserve.
2. As in the Call Report, equity securities are combined with ‘‘other debt securities’’ before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in ‘‘trading account securities’’ if a gain and ‘‘other non-interest-bearing liabilities’’ if a loss.
4. Where possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
5. Includes provisioning for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all insured domestic commercial banks and nondeposit trust companies, 1986–95

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

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	90.01	90.51	90.81	90.90	91.06	91.24	91.39	91.66	91.72	91.70
Loans and leases, net	52.83	52.82	53.88	54.84	54.74	54.05	53.03	52.95	54.64	56.61
Commercial and industrial	13.68	12.84	12.34	12.10	11.53	10.59	9.74	9.24	9.31	9.66
U.S. addressees	13.66	12.81	12.32	12.07	11.49	10.55	9.70	9.20	9.27	9.60
Foreign addressees	.03	.03	.02	.03	.04	.04	.04	.04	.05	.06
Consumer	12.41	11.74	11.48	11.46	11.20	10.49	9.68	9.17	9.38	9.54
Credit card	.68	.80	.86	.93	1.00	1.08	1.00	.92	.96	1.01
Installment and other	11.74	10.94	10.62	10.53	10.20	9.41	8.68	8.26	8.41	8.53
Real estate	21.94	24.07	26.02	27.36	28.35	29.31	30.15	31.10	32.19	33.54
In domestic offices	21.94	24.07	26.02	27.36	28.35	29.31	30.15	31.10	32.18	33.54
Construction and land development	2.21	2.19	2.22	2.29	2.37	2.18	1.98	1.93	2.14	2.38
Farmland	1.42	1.59	1.74	1.82	1.86	1.93	2.06	2.20	2.34	2.48
One- to four-family residential	11.62	12.80	14.06	14.81	15.37	15.99	16.44	16.82	16.94	17.45
Home equity	n.a.	n.a.	.73	.94	1.16	1.29	1.34	1.27	1.21	1.20
Other	n.a.	n.a.	13.32	13.86	14.21	14.69	15.10	15.55	15.73	16.25
Multifamily residential	.54	.60	.61	.62	.66	.71	.77	.84	.93	.95
Nonfarm nonresidential	6.15	6.90	7.40	7.82	8.09	8.50	8.91	9.30	9.83	10.27
In foreign offices	*	*	*	*	*	*	*	*	*	*
Depository institutions	.25	.30	.31	.26	.23	.20	.13	.12	.13	.16
Foreign governments	.01	.01	.02	.01	.01	.01	.01	.02	.01	*
Agricultural production	3.76	3.30	3.25	3.28	3.30	3.48	3.54	3.58	3.89	3.95
Other loans	2.20	1.90	1.75	1.67	1.41	1.24	.99	.87	.81	.76
Lease-financing receivables	.19	.19	.19	.19	.18	.17	.17	.18	.19	.22
LESS: Unearned income on loans	–.83	–.67	–.61	–.60	–.58	–.51	–.43	–.36	–.31	–.30
LESS: Loss reserves[1]	–.78	–.86	–.88	–.88	–.89	–.93	–.96	–.97	–.95	–.93
Securities	26.96	27.67	27.98	27.92	28.38	29.98	32.10	33.08	32.90	30.51
Investment account	26.91	27.59	27.93	27.85	28.28	29.92	32.04	33.01	32.86	30.47
Debt	26.91	27.59	27.93	27.45	27.92	29.55	31.60	32.57	32.42	30.02
U.S. Treasury	11.40	10.64	9.75	8.84	8.77	9.24	10.25	10.50	10.81	9.19
U.S. government agency and corporation obligations	6.45	8.18	9.80	11.37	12.43	13.81	15.04	15.80	15.35	15.12
Government-backed mortgage pools	1.38	2.66	3.22	3.76	4.58	5.59	5.52	5.38	4.81	4.19
Collateralized mortgage obligations	n.a.	n.a.	n.a.	n.a.	.92	1.55	2.66	3.33	3.11	2.75
Other	5.07	5.52	6.58	7.61	6.93	6.67	6.85	7.09	7.43	8.18
State and local government	8.01	6.63	5.65	4.94	4.56	4.26	4.29	4.70	5.01	4.69
Other	1.06	2.13	2.72	2.30	2.15	2.23	2.03	1.57	1.25	1.02
Equity[2]	n.a.	n.a.	n.a.	.40	.36	.38	.44	.45	.44	.45
Trading account	.05	.08	.05	.07	.10	.06	.05	.07	.04	.03
Gross federal funds sold and reverse RPs	7.09	6.66	5.76	5.74	6.13	5.64	5.10	4.66	3.42	3.92
Interest-bearing balances at depositories	3.13	3.36	3.19	2.40	1.81	1.57	1.16	.97	.77	.67
Non-interest-earning assets	9.99	9.49	9.19	9.10	8.94	8.76	8.61	8.34	8.28	8.30
Revaluation gains on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	*	*
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.28	8.30
Liabilities	91.81	91.74	91.61	91.44	91.40	91.38	91.07	90.63	90.43	90.03
Interest-bearing liabilities	75.62	76.39	76.94	77.13	77.83	78.40	77.83	76.89	76.19	75.73
Deposits	73.67	74.39	74.84	75.00	75.79	76.42	75.75	74.55	73.14	72.70
In foreign offices	.06	.04	.04	.06	.07	.08	.07	.08	.09	.11
In domestic offices	73.61	74.35	74.81	74.93	75.72	76.34	75.68	74.47	73.05	72.59
Other checkable deposits	9.03	10.33	10.64	10.38	10.45	10.98	12.33	13.16	13.32	12.37
Savings (including MMDAs)	22.19	23.30	21.92	19.51	18.73	19.35	22.10	23.54	23.23	20.41
Small-denomination time deposits	30.90	29.56	30.98	33.66	35.37	35.86	32.85	30.11	28.83	30.92
Large-denomination time deposits	11.49	11.16	11.27	11.38	11.17	10.15	8.40	7.66	7.68	8.89
Gross federal funds purchased and RPs	1.29	1.27	1.35	1.35	1.36	1.31	1.36	1.44	1.89	1.78
Other	.66	.73	.75	.78	.67	.67	.72	.90	1.16	1.25
Non-interest-bearing liabilities	16.18	15.34	14.67	14.31	13.57	12.98	13.24	13.74	14.24	14.30
Demand deposits in domestic offices	14.87	14.23	13.58	13.09	12.37	11.83	12.23	12.81	13.34	13.23
Revaluation losses on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	*	*
Other	1.32	1.11	1.09	1.22	1.21	1.14	1.01	.93	.90	1.07
Capital account	8.19	8.26	8.39	8.56	8.60	8.62	8.93	9.37	9.57	9.97
MEMO										
Commercial real estate loans	n.a.	n.a.	n.a.	n.a.	n.a.	11.03	11.08	11.37	12.10	12.76
Other real estate owned	.55	.63	.65	.63	.61	.66	.65	.52	.35	.25
Managed liabilities	13.43	13.14	13.34	13.53	13.24	12.17	10.53	10.06	10.81	12.04
Average net consolidated assets (billions of dollars)	649	659	654	662	681	695	697	688	679	666

A.2.—Continued

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

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Effective interest rate (percent)[4]									
Rates earned										
Interest-earning assets	10.29	9.54	9.76	10.50	10.32	9.64	8.43	7.61	7.58	8.40
Taxable equivalent	10.79	9.87	10.01	10.72	10.52	9.82	8.59	7.77	7.73	8.54
Loans and leases, gross	11.67	10.87	11.03	11.76	11.60	11.02	9.83	9.11	9.01	9.82
Net of loss provisions	9.98	9.60	9.99	10.86	10.65	10.08	9.05	8.61	8.67	9.41
Securities	8.73	7.93	7.93	8.37	8.42	8.03	6.99	5.92	5.61	6.11
Taxable equivalent	10.32	8.93	8.64	9.01	8.99	8.53	7.40	6.33	6.00	6.12
Investment account	8.73	7.92	7.92	8.36	8.41	8.03	6.99	5.92	5.61	6.11
U.S. government and other debt	9.24	8.05	8.01	8.51	8.59	8.19	7.06	5.91	5.60	6.19
State and local	7.52	7.53	7.57	7.57	7.46	7.17	6.71	6.09	5.70	5.64
Equity[2]	n.a.	n.a.	n.a.	8.19	8.34	7.13	5.63	5.16	5.52	6.31
Trading account	8.44	9.04	14.88	14.84	12.13	8.52	7.12	4.82	6.03	6.09
Gross federal funds sold and reverse RPs	6.91	6.82	7.68	9.25	8.12	5.66	3.51	2.95	4.09	5.97
Interest-bearing balances at depositories	8.07	7.38	8.07	9.13	8.55	7.36	5.60	4.52	4.64	5.93
Rates paid										
Interest-bearing liabilities	7.02	6.20	6.41	7.16	7.02	6.17	4.44	3.54	3.49	4.47
Interest-bearing deposits	6.97	6.13	6.36	7.10	6.97	6.15	4.44	3.52	3.45	4.40
In foreign offices	7.06	7.29	7.62	9.35	7.57	5.95	3.97	2.91	3.92	5.77
In domestic offices	6.97	6.13	6.36	7.10	6.97	6.15	4.44	3.52	3.44	4.39
Other checkable deposits	n.a.	4.93	4.99	5.09	5.02	4.61	3.14	2.42	2.30	2.50
Savings (including MMDAs)	n.a.	5.37	5.48	5.81	5.74	5.18	3.62	2.90	2.83	3.32
Large-denomination CDs	7.36	6.57	7.13	8.36	7.92	6.74	4.90	3.95	4.12	5.56
Other time deposits	n.a.	6.97	7.17	8.03	7.88	6.98	5.36	4.38	4.29	5.52
Gross federal funds purchased and RPs	6.59	6.26	6.79	8.51	8.03	5.71	3.74	3.17	4.12	5.62
	Income and expenses as a percentage of average net consolidated assets									
Gross interest income	9.33	8.72	8.95	9.65	9.51	8.91	7.79	7.05	7.02	7.79
Taxable equivalent	9.78	9.02	9.17	9.85	9.68	9.07	7.94	7.19	7.16	7.92
Loans	6.23	5.82	6.01	6.53	6.44	6.05	5.30	4.90	4.99	5.64
Securities	2.35	2.19	2.21	2.33	2.38	2.40	2.24	1.96	1.84	1.86
Gross federal funds sold and reverse RPs	.50	.47	.47	.57	.53	.34	.18	.14	.15	.25
Other	.25	.25	.26	.23	.17	.12	.07	.05	.04	.04
Gross interest expense	5.28	4.72	4.91	5.50	5.44	4.83	3.45	2.71	2.65	3.38
Deposits	5.14	4.58	4.76	5.32	5.28	4.71	3.36	2.63	2.52	3.20
Gross federal funds purchased and RPs	.09	.08	.10	.12	.11	.07	.05	.04	.07	.10
Other	.05	.06	.06	.06	.05	.05	.04	.04	.06	.08
Net interest income	4.06	4.01	4.04	4.15	4.07	4.09	4.34	4.33	4.37	4.41
Taxable equivalent	4.50	4.30	4.26	4.35	4.24	4.24	4.49	4.47	4.51	4.55
Loss provisioning[5]	.90	.68	.56	.50	.53	.51	.42	.27	.19	.23
Noninterest income	.85	.88	.92	1.00	1.01	1.08	1.16	1.25	1.30	1.38
Service charges on deposits	.42	.41	.41	.41	.42	.44	.45	.45	.44	.44
Income from fiduciary activities	.10	.11	.12	.14	.14	.14	.16	.16	.17	.22
Foreign-exchange gains and fees	*	*	*	*	*	*	*	*	*	*
Trading income	*	*	*	.01	.01	*	*	*	*	.01
Other	.33	.35	.39	.44	.44	.49	.55	.64	.69	.71
Noninterest expense	3.47	3.43	3.44	3.48	3.49	3.60	3.67	3.73	3.78	3.80
Salaries, wages, and employee benefits	1.63	1.62	1.62	1.65	1.64	1.65	1.69	1.72	1.75	1.80
Expenses of premises and fixed assets	.53	.52	.51	.51	.49	.49	.49	.48	.49	.50
Other	1.30	1.30	1.32	1.33	1.36	1.47	1.49	1.52	1.55	1.51
Net noninterest expense	2.62	2.56	2.53	2.49	2.48	2.53	2.51	2.48	2.48	2.42
Realized gains on investment account securities	.16	.03	.01	.01	*	.06	.09	.07	−.03	*
Income before taxes and extraordinary items	.69	.81	.95	1.17	1.06	1.11	1.50	1.65	1.67	1.76
Taxes	.15	.25	.29	.37	.34	.35	.47	.51	.51	.55
Extraordinary items	.01	.02	.02	.02	.02	.01	.02	.05	*	*
Net income	.55	.58	.68	.83	.74	.77	1.04	1.19	1.16	1.21
Cash dividends declared	.40	.40	.46	.52	.49	.47	.51	.56	.57	.62
Retained income	.16	.18	.21	.30	.24	.30	.53	.63	.58	.59
MEMO: Return on equity	6.74	6.99	8.09	9.65	8.61	8.95	11.64	12.69	12.08	12.13

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserve.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
4. Where possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
5. Includes provisioning for allocated transfer risk.