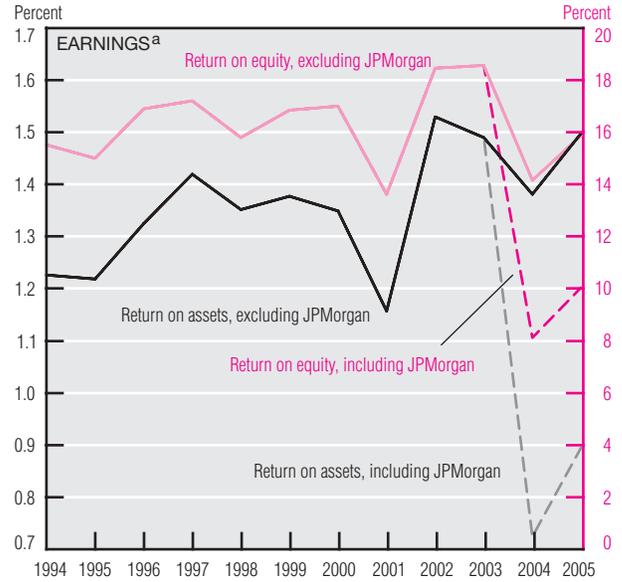
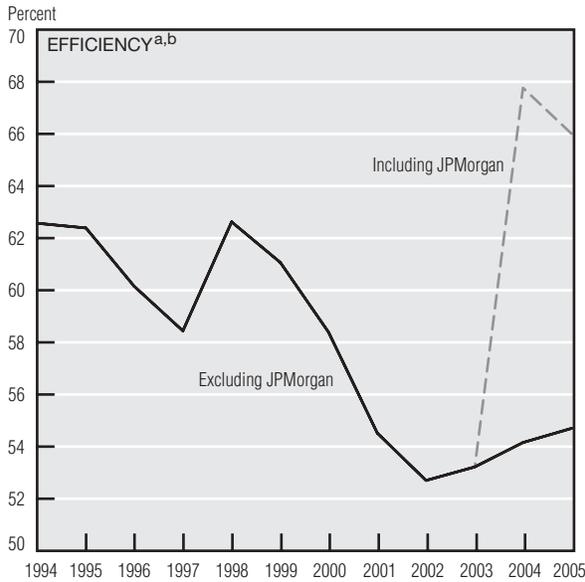
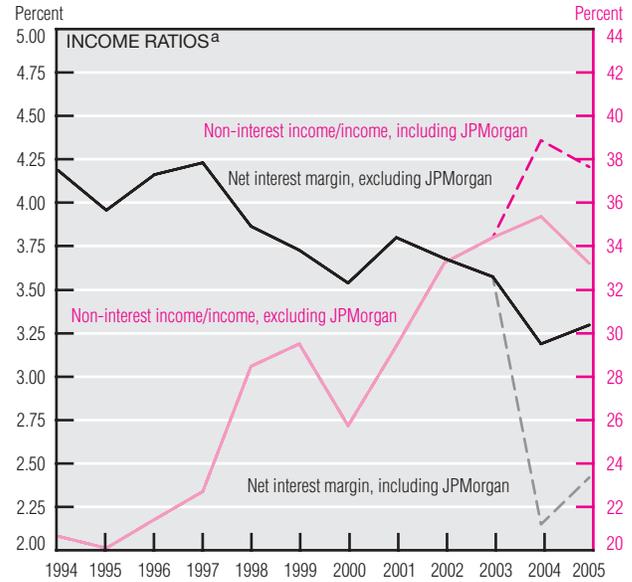
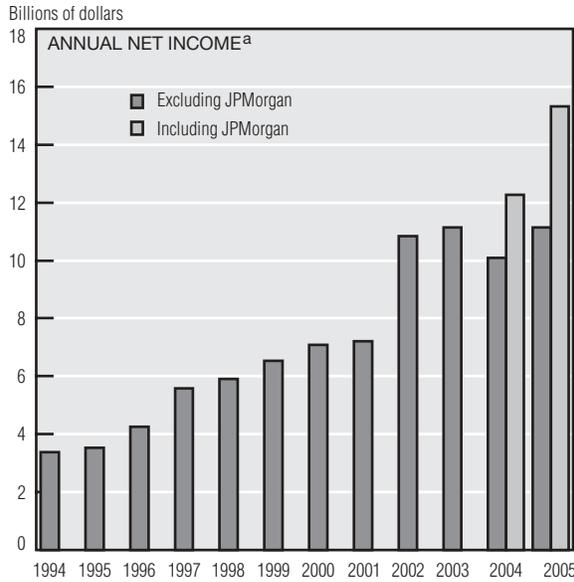


Fourth District Banks



a. Through 2005:IIQ only. Data for 2005 are annualized.
 b. Efficiency is operating expenses as a percent of net interest income plus non-interest income.
 SOURCE: Author's calculations from Federal Financial Institutions Examination Council, *Quarterly Bank Reports of Condition and Income*.

FDIC-insured commercial banks headquartered in the Fourth Federal Reserve District posted net income of \$5.56 billion for the first two quarters of 2005 or \$11.13 billion on an annual basis. (JPMorgan Chase, chartered in Columbus, is not included in this discussion because its assets are mostly outside the District and its size—roughly \$1 trillion—dwarfs other District institutions.) The U.S. banking industry as a whole posted earnings of \$59.16 billion for the same period or \$118.31 billion on an annual basis.

Fourth District banks' net interest margin (interest income minus interest

expense divided by average earning assets) at the end of 2005:IIQ rose slightly to 3.29%, exceeding the 3.25% U.S. average. Non-interest income, however, fell to 33.15% of total income. This resembled the performance of U.S. banks, whose net interest margin rose from the end of 2004 and whose non-interest income fell to 32.55% of total income.

Fourth District banks' efficiency (operating expenses as a percent of net interest income plus non-interest income) deteriorated slightly to 54.64% by the end of 2005:IIQ from the 52.64% record set in 2002. (Lower

numbers correspond to greater efficiency.) Efficiency deteriorated nationwide as well, increasing to 57.56% from 56.62% at the end of 2004.

At the end of 2005:IIQ, District banks posted a 1.50% return on assets (up from 1.38% at the end of 2004) and a 15.83% return on equity (up from 14.12% at the end of 2004). The District's performance was better than the nation's: At the end of 2005:IIQ, the U.S. banking industry's return on assets had edged up to 1.15% (from 1.12% at the end of 2004); return on equity had climbed to 12.70% (from 11.56% at the end of 2004).