

Net Interest Spread

Net interest spread is a statistic that is usually calculated for financial institutions and in particular for banks. The net interest spread is the difference in the rate the bank earns on its loans and the rate it pays on its deposits.

The net interest spread is not adjusted for the volumes involved. It is simply a difference in rates. Therefore, it is relatively easy to calculate and it can be misleading. To adjust for the volumes of debts involved it is best to use a number similar to the net interest spread called the *net interest margin*.